

# Nation's Business

A USEFUL LOOK AHEAD

JANUARY 1961

## **WAGE-FIXING** **WILL** **COST** **JOBS**

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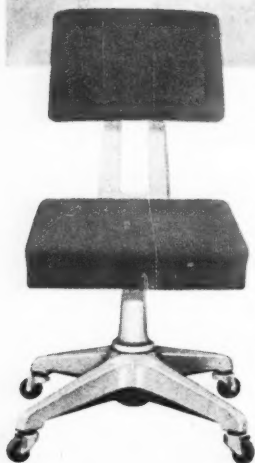
Put your ego to work **PAGE 34**

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# Nation's Business

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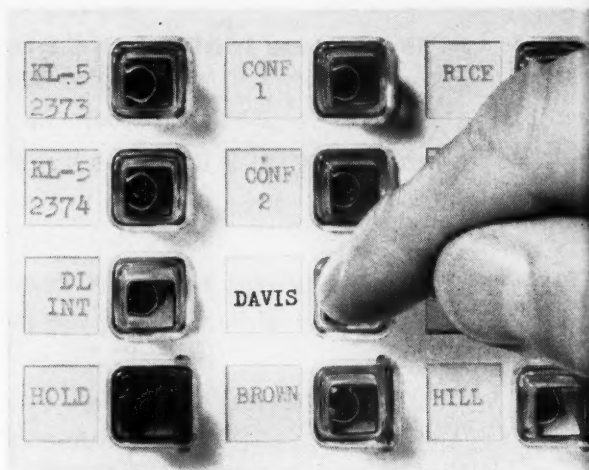
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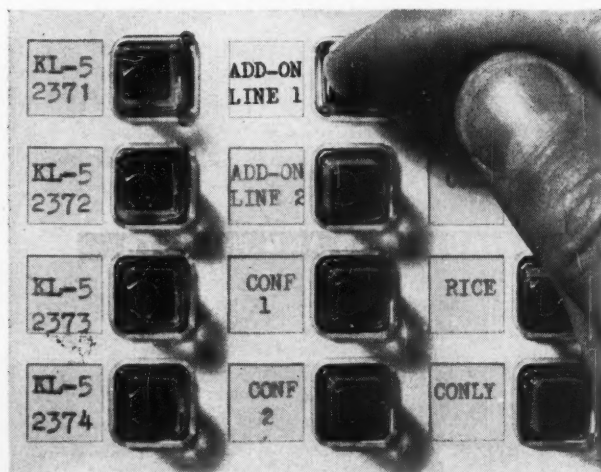
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# management's WASHINGTON LETTER

► **CONGRESSIONAL BATTLES** during next six months are shaping up on many issues of importance to businessmen.

Here's preview of what's coming.

► **TAXES**--Closing so-called loopholes will get priority.

Example:

Tighter control of business expenses.

Depreciation allowances of business will get top consideration, too.  
Details?

Best indication will come during late January, early February when President-elect Kennedy, then in office, will send special messages to Congress.

Also likely in '61:

Law requiring companies to withhold taxes on dividend payments.

General tax reduction unlikely.

But public hearings on tax reform will be scheduled in months ahead.

► **DEPRESSED AREAS**--Pressure for passage of new direct federal aid to regions with local economic problems will mount significantly if jobless total rises in the spring.

Businessmen will object vigorously on basis that companies would be taxed to subsidize competitors.

Congress also will discuss ways to aid areas which appear to be hurt by rising imports.

Specific proposals are now in formative stage.

You'll hear about them in weeks ahead.

► **PENSIONS**--Boost in monthly social security payments will be proposed early in new session of Congress.

One proposal would raise benefits for each year worked past age 65.

This suggestion is likely to run into opposition--during '61 at least--because of unemployment problems.

An estimated 1.4 million Americans age 65 and older who could begin drawing old age pensions now are still at work.

Extending their benefits would encourage them to continue working while nation's jobless total creeps higher.

Another proposal would raise ceiling of \$1,350 a year on amount pensioners can earn without losing benefits.

Political considerations are likely to cause congressmen to hold off on social

security proposals until next year.

Extending benefits usually is done during election years.

Hence, you can expect extensive public hearings during '61, final action coming next year.

► **MEDICAL CARE**--Question is whether medical aid to aged should be part of social security program.

Proposal appears to have strong political backing.

But there's opposition, too.

Three out of four Americans are now enrolled in voluntary health insurance programs.

That's a total of about 130 million people.

This total is rising constantly.

Issue in Congress is highly controversial, isn't likely to pass without considerable debate.

Little-known fact:

Anyone at any age can get medical care insurance at any point in U. S.

► **WAGE CONTROLS**--Minimum wage under federal law now is \$1 an hour.

There's big pressure to hike minimum to \$1.25 an hour.

Expansion of coverage to millions of workers is also expected.

Outcome is tippy.

If pay hike is approved this year, watch for it to go up in two steps--\$1.15, then up to \$1.25 next year.

If approval is withheld until next year, \$1.25 is almost certain.

► **JOBLESS PAY**--Higher payments for unemployed workers is pretty sure thing.

Unemployment rates of early months ahead will heighten congressional interest in proposals establishing federal superiority over states in setting jobless pay standards.

Passage would create higher unemployment taxes on business.

► **EDUCATION**--Issue involves whether school problems justify interference in local affairs or whether problems are being solved by local initiative.

Congress will consider whether to supplement federal tax money for local funds in paying teacher salaries, also building classrooms. One proposal



would call for federal grants of \$25 per child.

Some kind of federal program is now more probable than in previous years.

But opposition is growing stronger as evidence is piled up showing that federal intervention in local problems is not wanted.

Fact is, spending for public education has tripled in 10 years.

Figures:

States, local governments spent total of \$5.8 billion for primary, secondary public education in 1950.

Expected this year:

More than \$16 billion.

Look at spending another way:

Ten per cent of all tax revenue went for public education in 1950.

More than 15 per cent of all taxes will go to schools this year.

Enrollments have been climbing year after year.

But classroom shortage has also been trimmed substantially year by year.

This raises serious doubt in many congressional minds about real need for spending federal tax money.

►PUBLIC DEBT--Total at this time is approximately \$290 billion.

By end of next June it's expected to decline--but probably will be higher than anticipated \$284 billion.

After that the debt will rise again.

Legislation will be required to boost temporary debt ceiling.

Within two to three years the debt could go above \$300 billion.

One point of issue is amount of interest paid on debt.

Currently expected is expenditure of about \$9.1 billion during fiscal '61.

Mr. Kennedy would like to reduce this cost by at least \$1 billion.

But firm interest rate trends will make reduction difficult.

►DEFENSE--Issue is whether to boost spending as much as \$3 billion a year.

Guess is Congress won't--at least not right away.

But \$2 billion boost is probable.

Also in defense area:

Possible revision of procurement act, Department of Defense reorganization, revision of patents policy where

government money is involved, use of air transportation during time of war, military retirement, other proposals.

Many congressional hearings on these and other topics will be held.

These hearings will provide you with details of proposals, also give you indications of what changes are likely to win approval of Congress.

►SLUMS--Pressure already is strong for big urban renewal spending programs.

Look for Congress to relate proposals to slum clearance in depressed areas.

Stepped-up spending is probable.

Federal spending also can be expected to rise for sewer projects, airports, other community development programs.

►PRIVATE CONSTRUCTION--Congress will explore ways to lower interest rates on home mortgages.

Issue is how government action can bring interest rates down.

More direct government lending, available at subsidized interest rates, will be considered.

►GOVERNMENT HOUSING--Big new programs will be proposed for middle-income and low-income families.

There'll be a push, too, to permit families to buy units in government housing projects.

Issue here is competition with private builders.

Opposition will be strong.

►PUBLIC WORKS--Program to expand water, power, reclamation projects will get under way early in session.

Government spending in this area can be expected to expand rapidly.

Also planned:

Bigger spending for national parks, natural resources development.

►STRIKES--There'll be proposals to expand Uncle Sam's role in settlement of strikes.

Hot issue will center about power of President to seize plants.

Involved would be:

Government intervention in peaceful wage negotiations as well as disputes in basic industries where national economy or safety might be affected.



# *management's* WASHINGTON LETTER

Mr. Kennedy's advisers favor having groups of public, labor and business representatives develop guidelines for wage-price policies prior to labor-management discussions.

Where collective bargaining fails and a national emergency threatens, you can expect quick and direct intervention from new Administration.

Mr. Kennedy thinks President should have more flexible authority to deal with national emergency labor disputes than 80-day injunction required by Taft-Hartley Act.

Proposal would include authority to ask for recommendations from fact-finding boards and to seize industry.

President-elect's home state, Massachusetts, has had a seizure law since 1947.

Last time federal government seized private property in a labor dispute was in 1952 when President Truman took over basic steel industry to enforce compulsory union membership.

Supreme Court declared that seizure illegal.

New legislation would be required to validate it.

Seizure authority was denied Truman Administration in '52 despite an unprecedented appeal to a joint session of Congress after Supreme Court's action.

Early congressional action is not expected.

Pressure for passage of some kind of legislation will mount whenever the next big strike occurs.

► **UNION POLITICAL SPENDING** may be curbed by Congress or Supreme Court.

Bill introduced last year by Senators Thurmond of South Carolina and Bennett of Utah would tighten up on use of union and corporate funds for politics.

Proposal will come up again.

It would specify:

So-called educational activities for which organization funds could be used.

Supreme Court will decide in Georgia railroad employees case whether a union may spend compulsory dues money to promote views with which union members may not agree.

Unions have won all five cases in which they have been brought to trial for allegedly spending union funds in

violation of Federal Corrupt Practices Act. Latest case involves teamster local in St. Louis.

Judge approved a plan which other unions may adopt to facilitate political fund-raising.

Under it, union members are asked to authorize voluntarily the allocation of part of their dues payments for political spending.

Usual practice has been to ask members to make special political contributions.

Seventeen union political organizations report raising \$1.4 million, spending \$1.7 million last year for direct political activities.

This was \$500,000 more than was spent in previous Presidential election.

► **BUSINESSMEN PLAN** for action.

Top congressional issues affecting businessmen will be subject of discussion in a dozen cities during February and March.

Known as "Aircade for Citizenship Action," specialists from U. S. Chamber of Commerce in Washington will meet with local business leaders to discuss issues that will include:

Effect of federal wage controls on business, proposed medical care legislation, tax reform, government spending.

Programs for federal intervention in local economic problems, urban renewal, government housing, aid to education, labor reform legislation.

You'll also hear discussions of space exploration, unemployment, foreign aid spending, defense reorganization and other key legislative proposals.

Meetings will be held at these places:

Worcester, Mass., Feb. 27.

Buffalo, N. Y., Feb. 28.

Detroit, Mich., March 1.

Birmingham, Ala., March 2.

Tulsa, Okla., March 3.

Omaha, Nebr., March 6.

Denver, Colo., March 7.

Hollywood, Calif., March 8.

Oakland, Calif., March 9.

Spokane, Wash., March 10.

Anchorage, Alaska, March 13.

Honolulu, Hawaii, March 16.

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## Business opinion:

# Training in free enterprise checks Red appeal to youth

YOU HAVE rendered an outstanding service to your readers with "Reds Threaten U.S. Youth." (November). This article will do much to awaken American businessmen to the crisis before us.

I would like to call your attention to an organization you overlooked in listing groups already taking positive steps to combat the communist trend.

Junior Achievement, Incorporated, is teaching economics to high school students in the most effective way possible by actually helping young adults establish their own miniature corporations.

More than one million boys and girls have been members of Junior Achievement. This year's members total more than 80,000. Still, Junior Achievement is forced to turn away that many more teen-agers that wish to join the organization but are unable to because of limited facilities.

The effectiveness of Junior Achievement has been proven many times. *Scholastic Magazine's* Institute of Student Opinion conducted a nationwide survey of more than 6,000 high school juniors and seniors. The results showed one third of the girls and one fourth of the boys favored government control of the nine basic industries and services which are now privately owned.

As a result of this poll, Junior Achievement arranged for a poll asking 6,000 students, who have had one or more years in Junior Achievement: "Are you in favor of government operation of all U. S. business?" Result: Ninety per cent voted no. They had gained a healthy appreciation for the competitive profit system and confidence in their ability to prosper through personal initiative.

EDWIN H. MOSLER, JR.  
President, Junior Achievement, Inc.  
The Mosler Safe Co.  
New York, N. Y.

I was extremely interested in "Reds Threaten U. S. Youth." This points up an area of vital interest to adults as well as youth.

Citizenship education is an area of vital concern to the 4-H movement throughout the United States. The 4-H program has emphasized

the development of individuals into better citizens. Thinking about responsibilities and then acting has always been a part of this "learning by doing" program.

Today, however, we need to emphasize training in the responsibilities and obligations of a citizen as well as the rights of citizenship. I feel that our 2,300,000 4-H boys and girls represent a great resource for expanding and revitalizing citizenship emphasis in our country.

The establishment of the National 4-H Center in Washington provides a classroom for unique citizenship training experiences. This facility, with its present capacity of up to 300 persons, represents a new opportunity for 4-H to place special emphasis on citizenship training courses. Currently, special week-long citizenship short courses are being offered at the 4-H Center for older 4-H members. These 4-H members learn more about their government, gain a better understanding of national problems and citizenship responsibilities, develop some understanding of our relationship to world problems and gain new insights into 4-H club work.

We feel that in the next few years we can expand this program to provide citizenship training experience at the 4-H Center for up to 3,000 4-H members each year.

GRANT A. SHRUM  
Executive Director  
The National 4-H Club Foundation  
Washington, D. C.

Let me express my deepest appreciation and thanks for your article.

However, unless we also recognize the lateness of the hour of our awakening and the urgent need for exposing more of this Soviet subversion, we will never take the action necessary to win out against communist schemes for our destruction.

Obviously, it will require drastic changes in individual purpose and determination, and re-education concerning America's interests.

WARREN B. APPLETON  
Brockton Edison Co.  
Brockton, Mass.

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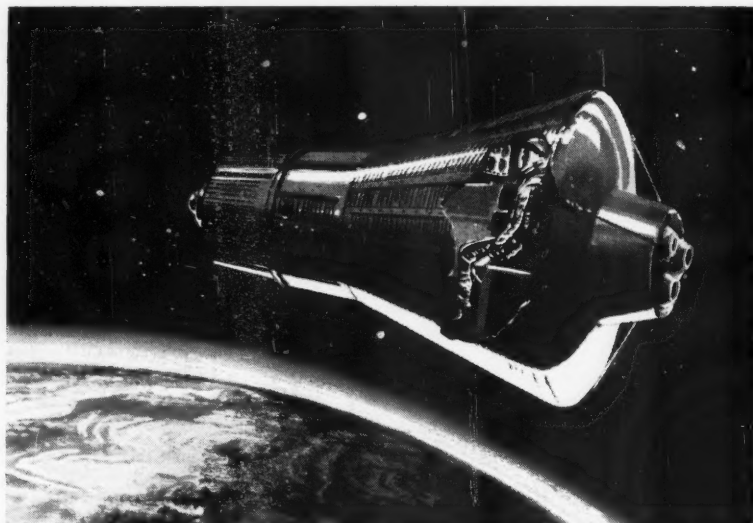
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Orbiting spacecraft of NASA's Project Mercury will be tracked by a global arrangement of 18 communications stations.

## Keeping track of a man in orbit

One day this year, the first U.S. astronaut may be rocketed into a globe-circling orbit, some 120 miles in space. Although he will be a mere dot in the heavens, a vast world-wide network of eighteen tracking stations—including two operating from ships at sea—will provide monitoring of every phase of the high-flying astronaut's journey in his orbiting spacecraft.

Linking each of the tracking stations with the project's Space Flight Center at Greenbelt, Maryland, and Mercury Control Center at Cape Canaveral, Florida, will be an array of Teletype equipment—Model 28 page printers, automatic send-receive sets and punched tape units. These Teletype communications devices will record and relay flight data collected by tracking and telemetering equipment from the spacecraft's instruments to the Flight Center, where an elaborate complex of data processing machines will coordinate and interpret flight data and provide directive information for the world-wide network of tracking stations.

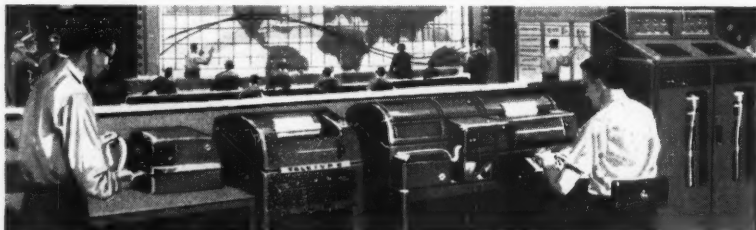
Teletype Corporation is indeed proud to be a part of the Western Electric industrial team selected by the National Aeronautics and Space Administration (NASA) to build the vast communications network so vital to Project Mercury.

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to take the offensive in the war of ideas. Unless we Americans learn and live a positive moral ideology, our superiority in other fields may prove inadequate.

**JERRY BARRETT**

Manager  
The Franklin Life Insurance Co.  
Home Office: Springfield, Ill.

### More facts on health care

Permit me to commend NATION'S BUSINESS for "Senior Citizens Pay Own Way" (November). Your objective discussion of the issue of medical care for the aged explodes the tremendous smoke screen which has surrounded this subject. Conservatives opposed to federal programs for medical care have failed to point out the following facts:

1. It is obvious that there is no need for government intervention in this area of the practice of medicine.

2. Older citizens do not want such government intervention.

3. Social security-financed medical care is the brainchild of organized labor, which hopes to divest itself of responsibility for retired workers.

As you point out, total health care is not an insurable commodity and surely the already overloaded taxpayers will be unwilling to finance the tremendous costs of such a program financed through social security.

**DR. DAVID LUKENS**

Medical Center  
Hutchinson, Kans.

### Business in politics

I would like permission to reproduce and distribute the article on politics—"Citizens' Job Just Beginning," (November).

Recently I spoke to an organization of men in our church on the subject of citizen participation in politics.

Your article has some practical suggestions which can be helpful if you will permit me to use it as follow-up material.

**J. A. WEEKS**

Attorney  
Carolina Power & Light Co.  
Raleigh, N. C.

►Permission granted on this and other requests (below).

### Our writing gets action

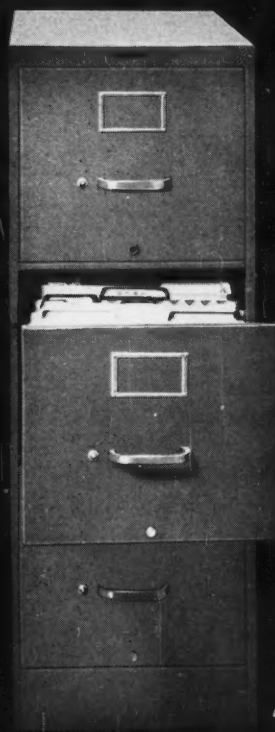
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**ROBERT C. YOUNG**

Engineering Personnel  
Chevrolet Motor Division  
Warren, Mich.



# What to do about the \$61.23?



People who make their living at tracking down facts and finding out things that you could find out yourself if you had the time—they're the ones who told us about the \$61.23. They added up and averaged many cases of executive time loss, clerk time loss, time loss on makeovers, and other real losses, costs and wastes. And they came up with a real average cost—a loss—of \$61.23 for each and every paper of record which is misfiled even temporarily in big or small business, yours and ours included.

Papers that become permanently lost cost more.

There is no sense, we have found from our long-time filing experience at Y&E, in trying to *reduce* the cost of misfiling to something less than \$61.23. The only thing to do about the \$61.23 is to get rid altogether of the circumstances which cause it. A Y&E aim which long ago led to the

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dexes and so forth. And the cost of these, we think, is no more than the guides, indexes, folders and so forth which your secretary may now be buying at the corner stationer's.

We have written a booklet which very simply explains the simplicity and working nature of this Y&E system, titled *Y&E Direct Name Filing System*. We will mail you one if you will send us this coupon between now and the next time a misfiled paper costs you another \$61.23.



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THIS ISSUE**

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For many firms, it's a way to expand sales and earnings without expanding operating areas. The time you now spend backtracking by highway to just one of these towns could be spent calling on prospects in several the same day with a Beechcraft. Many companies are paying for a Beechcraft many times over in just this way.

It may be your answer to more business in '61. Instead of adding more territory or more men, just add a Beechcraft. When an opportunity arises, you go. Fast. Far. Results are often dramatic. A company president writes: "... one customer of ours, since we began our aerial visits, has ordered as much in two months as he once ordered in an entire year."

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about the money-making advantages of travel by Beechcraft, write for your free copies of "Dollars and Sense of Business Flying." Address Public Relations Dept., Beech Aircraft Corp., Wichita 1, Kansas, U. S. A.



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## Should Uncle Sam be your mayor?

THIS MONTH may see the start of a new era in the relationship of the federal government to the nation's cities.

Pressure for more aid in solving urban problems has been building up in liberal circles for the past eight years. Now, with an incoming Administration which received a vital election boost from the big-city vote, you are likely to see a growing portion of federal tax dollars channeled into aid to urban areas.

Expanded aid to cities and a Cabinet-level government department to administer such aid are expected to be given top priority. Enactment by Congress would inaugurate an era of greater urban voice in the federal government and greater federal voice in local affairs.

Establishment of a Department of Urban Affairs would mark the growing orientation of our federal government toward the city rather than the farm. Many city officials prefer to deal with the federal government instead of their own state legislatures because of the obstacle presented by heavy rural representation in a number of legislatures.

Increased federal expenditures for urban problems seem likely to result from a closer federal-local relationship. This would probably be accompanied by greater federal control in over-all city planning, where federal funds are involved. Solution by the cities of their own problems would be discouraged, since availability of federal money tends to act as a damper on local initiative.

### What "aid" would cost

Current proposals for more urban aid could add from \$100 million to more than \$500 million to the 1962 budget, possibly imperiling its balance. Increased authorizations could total billions of dollars as they are translated into expenditures over the next half dozen years.

The major impact from any boosted authorizations for public

housing, slum clearance and urban renewal would not be felt until the last year of President-elect Kennedy's Administration and later. There is an average time lag of four to six years between initiation and the final spending of federal funds on such projects.

Already existing commitments will force federal expenditures up in these fields in the next several years, however. Spending for urban renewal—\$150 million in the current fiscal year—is expected to rise to \$250 million or \$300 million in 1963 and 1964. Public housing, now \$165 million, may reach about \$250 million yearly.

Thus, the heavy expenditures, under present commitments alone, are yet to come. A total of \$2 billion has been authorized for urban renewal since the program was started in 1949 and only \$340 million of this has been distributed in final grants.

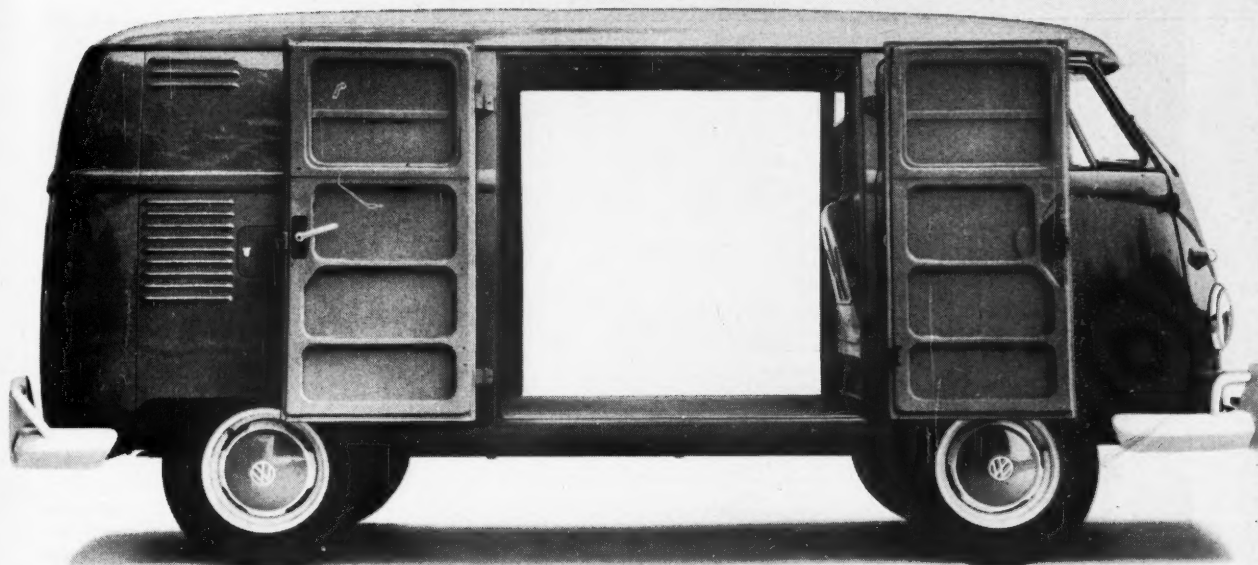
Proposals for such programs as federal loans for mass transit and middle-income housing and additional grants for water pollution control also have a time lag of two or more years.

### Boost mortgage buying?

On the other hand, measures to encourage housing construction by boosting the Federal National Mortgage Association's authority to purchase mortgages would have a more immediate impact on the federal budget. Democratic Representative Albert Rains of Alabama, chairman, Subcommittee on Housing of the House Banking and Currency Committee, proposed a \$1 billion increase in FNMA authority in the last session of Congress. Such measures are expected to be revived if the present economic downturn continues. If the measures are approved, they would affect the 1962 budget. As much as \$500 million might be spent in a year in a big mortgage-purchasing program.

What happens in the Eighty-





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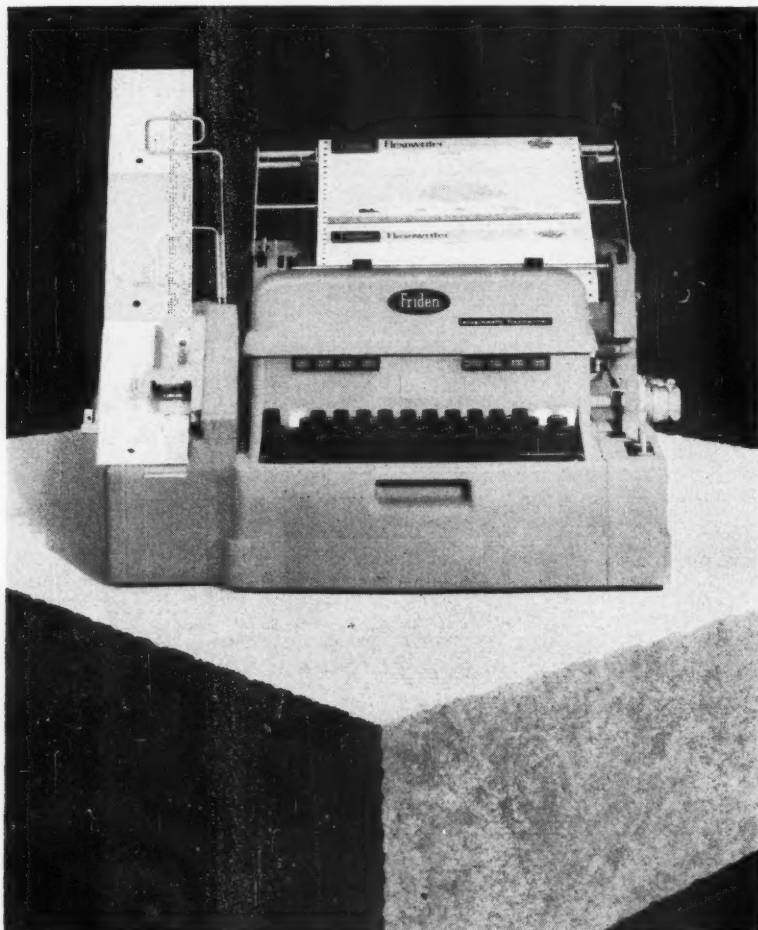
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## UNCLE SAM—MAYOR

*continued*

seventh Congress will depend on at least these factors:

► The strength of the Republican-southern Democrat conservative coalition and its success in resisting attempts to weaken the House Rules Committee as a roadblock to federal spending.

► The degree to which this country's adverse balance of international payments will sharpen Administration efforts to balance the budget.

► The extent to which the number of total unemployed may rise during the remaining winter and spring months and the extent to which the number of economically depressed areas may increase.

Continuation of the recent trend in corporate earnings could result in lower tax receipts, and President-elect Kennedy's commitments on defense and other spending might force proposals for more urban aid to be scaled down in this session. On the other hand, a continued rise in unemployment might well overshadow the problem of gold outflow and provoke passage of measures to stimulate housing construction to help make jobs.

The Administration of Mr. Kennedy will probably move quickly for establishment of a department to handle urban affairs. Perhaps the simplest method will be to seek renewal by Congress of Presidential authority to reorganize the executive branch of government, the path that President Eisenhower followed in setting up the Department of Health, Education and Welfare. Congress is given 60 days in which it may reject the proposed reorganization.

The alternative, setting up a new department by congressional action, could result in drawn-out debates over which functions should be included in such a department. The Housing and Home Finance Agency would form a logical nucleus, but inclusion of such functions as administration of programs for construction of highways and airport facilities and control of water pollution, now handled by other departments and agencies, would offer grounds for argument.

### Administration program

The incoming Administration is expected to draw heavily for its ur-  
(*continued on page 21*)



## UNCLE SAM - MAYOR

*continued*

ban aid program in this session on measures which failed to be enacted in the last Congress. Some observers look for reintroduction of these bills, in order to eliminate further time-consuming hearings, but others predict that dollar amounts will be raised. Some of the principal measures include:

A \$450 million increase in capital grants for slum clearance and urban renewal. A long-term commitment may be proposed, with similar yearly amounts.

An additional 25,000 units of public housing. There has been speculation that the new Administration might seek 100,000 units.

Establishment of a new aid program with \$100 million in loans to enable cities to buy mass transit equipment, primarily railroad facilities.

Grants of up to \$90 million yearly for 10 years to help cities build sewage treatment plants.

Making available \$250 million in loans and grants to attract industry to depressed areas, many of which are urban.

Setting up a \$100 million loan program for modernization of older hospitals.

Authorizing an FNMA loan program for construction of middle-income housing. This could go as high as \$2 billion.

Liberal legislators, the AFL-CIO, and associations representing the cities will continue to press for more federal aid in more functions. With a sympathetic Administration they are likely to move closer to their goals.

Only a Presidential veto prevented enactment of several measures in the last Congress.

The magnitude of some of these proposals is illustrated by the AFL-CIO program, which calls for at least \$1 billion yearly for the next 10 years for slum clearance and urban renewal and a minimum of 200,000 low-rent public housing units a year.

Other groups, including the United States Chamber of Commerce, are convinced that the key to our cities' problems lies in local initiative rather than federal funds. Because the essential elements in solving the bundle of interrelated difficulties which plague the cities are the local government and local voluntary organizations, the Chamber believes that solution should be a local responsibility. **END**



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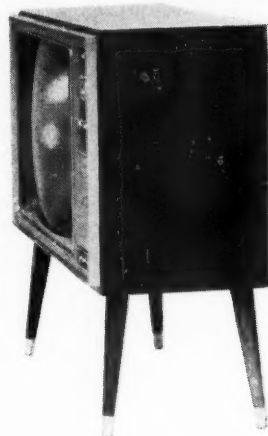
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## TRENDS: WASHINGTON MOOD

# Business' place in Kennedy plans

BY EDWARD T. FOLLIARD

IN COMMON with millions of his countrymen, President-elect Kennedy admires President Eisenhower. However, he has been careful to say he admires him "as a man."

The 43-year-old Bostonian thinks that the 70-year-old incumbent, although surely one of the most popular men ever to occupy the White House, has been too passive, too much above the battle, and too fearful of controversy. Yet he is willing to acknowledge that perhaps the Eisenhower kind of leadership was what the country wanted.

"The American people in 1952 and 1956," Mr. Kennedy has said, "may have preferred this detached, limited concept of the Presidency after 20 years of fast-moving, creative Presidential rule. Perhaps historians will regard this as necessarily one of those frequent periods of consolidation, a time to draw breath, to recoup our national energy."

But the President-elect says that it is going to be different in the years ahead. He intends to be a strong and vigorous Chief Executive, to be "in the very thick of the fight," even if at times this makes a lot of Americans angry.

One historian has described President Eisenhower as an "earth-smoother," in contrast to "earth-shakers" like Andrew Jackson, Abraham Lincoln, Theodore Roosevelt, Woodrow Wilson and Franklin D. Roosevelt.

Clearly, President-elect Kennedy's heroes are the earth-shakers, and he hopes to be in their company. In the 1960 campaign, his admirers sometimes likened him to Franklin D. Roosevelt. He encouraged this, mentioning the second Roosevelt over and over in his oratory and quoting him frequently.

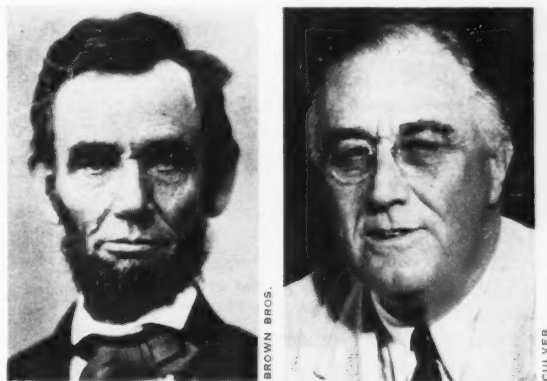
Mr. Kennedy does have some of FDR's qualities and characteristics—boldness, for example—but in most respects he is utterly unlike the thirty-first President.

Those who know him well find it hard to imagine him calling business leaders "economic royalists"

and saying he is their "master," as FDR did. They find it even harder to imagine him trying to dominate the United States Supreme Court, as FDR did in 1937. They say he is just not that kind of a man.

How, then, does Mr. Kennedy visualize his role in the White House?

He answered this question a year ago, specifically on Jan. 14, 1960, in a talk before the National Press



*Mr. Kennedy has emulated the late FDR, but his true hero is evidently Abraham Lincoln*

Club. At that time there was considerable doubt, in view of his age and his Catholic faith, that he could win the Democratic nomination for President, and even more doubt that he could be elected to the Presidency. But he himself appeared to be confident that he would be successful in both aims.

Here is what he had to say about the No. 1 office in the land and about the man who would be chosen to fill it:

"The question is what do the times—and the people—demand for the next four years in the White House? They demand a vigorous proponent of the national



## TRENDS: WASHINGTON MOOD

interest, not a passive broker for conflicting private interests.

"They demand a man capable of acting as Commander-in-Chief of the Grand Alliance, not merely a bookkeeper who feels that his work is done when the numbers on the balance sheet come out even.

"They demand that he be the head of a responsible party, not rise so far above politics as to be invisible; a man who will formulate and fight for legislative



*Earth-shakers such as Jackson, T.R., Wilson, eschewed the quieter role of Mr. Eisenhower*

policies, not be a casual bystander to the legislative process."

He said that President Eisenhower had not faced up to the missile gap and the other great problems of the time, and added:

"In the decade that lies ahead—in the challenging, revolutionary 1960's—the American Presidency will demand more than ringing manifestoes issued from the rear of battle.

"It will demand that the President place himself in the very thick of the fight, that he care passionately about the fate of the people he leads, that he be willing to serve them at the risk of incurring their momentary displeasure."

There will be many differences between the Eisenhower and Kennedy administrations. For one thing, the transition will see the oldest President in American history giving way to the youngest man ever elected to the great office. For another, a man who has always confessed a dislike of politics will be succeeded by one who has a passion for politics—who thinks of politics not as an ugly trade, but as the art of government.

Senator Kennedy is a keen student of American history, and has familiarized himself with the lives of all of our Presidents. Evidently his favorite is Abraham Lincoln, first Republican Chief Executive. And one reason for this is that the Emancipator had a genius for politics.

He is also a strong admirer of Theodore Roosevelt. He likes to recall that TR thought of the White House as not only the center of political leadership,

but as the center of moral leadership—a "bully pulpit."

Granting that the President-elect will give the country more vigorous leadership once he moves into the White House, the question is: In what direction will his leadership take the country? How, for example, will he feel about the business community?

Gov. Luther H. Hodges of North Carolina, who is to be Secretary of Commerce in the Kennedy Cabinet, says that his job will be to "stimulate the economy by working closely with business." He adds:

"The genius of this country is not in the Department of Commerce or any other fine bureaucracy. The genius of this country is in the imagination and energy and daring on the part of the individual businessman."

Is this also President-elect Kennedy's view? All that can be done here is to let him speak for himself. In the campaign last autumn, he devoted one whole speech to business. He delivered it Oct. 12, before the Associated Business Publications Conference, held in the Biltmore Hotel in New York.

He started off by saying that today, as never before, America needs a strong economy. He said a strong economy was needed not only to sustain the country's defenses, "but also to demonstrate to other nations that the way of freedom is the way to strength and security—that their future lies with us and not with the Soviet Union."

Mr. Kennedy said that was the basic issue of the campaign, and added:

"I do not know whether to regard with alarm or indignation the common assumption of an inevitable conflict between the business community and the Democratic Party. This is one of the great political myths of our time.

"The business community has well served the Democratic Party, and I believe the Democratic Party has well served the business community. Ours is a national party. It draws its support from all segments of the community.

"As the party's standard-bearer today, I need—and ask—the support and help of our businessmen, and I would do the same in a new Democratic Administration.

"It will not be a businessman's Administration, but neither will it be a labor Administration—or a farmers' Administration. It will be an Administration representing, and seeking to serve, all Americans."

After the meeting of President Eisenhower and President-elect Kennedy at the White House on Dec. 6, the Chief Executive told friends that he was "greatly impressed" by the younger man. He remarked on his broad understanding of the nation's problems, his willingness to listen and to learn, and his graciousness.

Mr. Kennedy evidently told the old soldier-statesman what he had said out on the stump, that he believed in a balanced budget and would try to maintain one unless some emergency arose that called for deficit spending.

President Eisenhower told his associates that he got the impression that his successor had no thought of engaging in wild spending that might set off another round of inflation.



# Gold flow cuts spending power of new Congress

BY FELIX MORLEY

ONE EXTRAORDINARY FACT about the incoming Congress has so far received little public attention. Its power to appropriate money effectively has been sharply circumscribed, even before the formalities of organization.

This limitation on legislative freedom does not spring from Constitutional restraints, which nowadays can be and are evaded. It is not found in the political alignment of the two Houses, even though conservatism in the Senate is as strong, and among the Representatives somewhat stronger, than in the preceding Congress. Nor is the new restriction due to the fact that President Kennedy has a more dubious popular mandate than any other occupant of the White House during the present century.

The novel, and coercive, influence on Congress is, quite simply, the precarious condition of the dollar. There may, of course, be appropriations that will ignore this. But if so, they will be self-defeating. We have now clearly reached the stage where more deficit financing can only serve to drive the value of the dollar further down. And the futility of this sort of paternalism is at last becoming clear to nearly all. Every housewife knows that the purchasing power of her money is steadily declining. The new Congress will scarcely want the sorry distinction of making it worthless.

• • •

Though most people normally give no thought to the matter, it takes little economic training to realize that the value of the present paper dollar rests largely on public confidence. This was not the case before 1934, when paper money was redeemable in gold. Then there was an almost automatic limit to governmental extravagance, since gold could not be stocked up like printed promises to pay in other forms of paper. Even since the New Deal devaluation, now 26 years ago, a form of convertibility into gold has been maintained. To maintain the leadership of the United States as world banker, foreign holders of American dollars are, under certain restrictions, still able to exchange them for our gold at a fixed price.

It is this secondary safeguard that is now crumbling. The future of the dollar has become doubtful in the eyes of foreign creditors, and with these doubts their calls on our gold reserve have mounted. It has been drained from almost \$23 billion at the beginning of 1958 to about \$18 billion today. This loss of more than 20 per cent of the gold reserve, in three years,



*The need to keep the dollar strong puts restraint on the amount of spending Congress can undertake*

is definitely frightening to all who see its implications. It is this justified concern that exercises a strong restraint on further squandermania as the new Congress convenes.

Restraint is the stronger because the net outflow of gold by no means tells the entire story of our deterioration as the leading international financial center. As our gold reserve has been diminishing, legitimate foreign claims upon it have been increasing even more rapidly. These gold liabilities now actually exceed the total value of the reserve, enormous though that still seems to be.

The picture would have been even more foreboding if the International Monetary Fund had not transferred a substantial amount of its gold to the Treasury last month. While such assistance bolsters our re-



## TRENDS: STATE OF THE NATION

serve, it also emphasizes the threatened position of the United States as the financial fortress of the free world. The primary role of the IMF has become one of assistance to noncommunist governments that are having financial difficulties. Instead of giving that help to others, we now must obtain it from them, as is also emphasized by Washington's not too effective insistence that other NATO members shoulder more of the foreign aid burden. It is this load that is primarily responsible for the continuously adverse international balance of payments.

Fortunately, the U. S. Treasury holds a substantial amount of offsetting foreign obligations. Even without these it is highly unlikely that all the claims on our dwindling gold stock will be presented. Other governments understand the precarious financial situation of the United States far better than do most of our own people. With the large exception of the communist nations, the interest of these other governments is in maintaining, not destroying, our financial stability. But the most sympathetic foreigners are unable to put our house in order for us. That must be done by our own government, or not at all.

Nor is it feasible, as some are advocating, to solve the problem by reducing or eliminating the statutory gold backing of the dollar. Currently 25 per cent of Federal Reserve currency and deposits must be thus covered, which means that about \$12 billion of the gold stock is, in effect, frozen to provide that coverage. To curtail this backing, or further to devalue the dollar without curtailment, might seem to ease the pressures temporarily. But either step would be a public confession of the dollar's debility more likely to stimulate than to reduce the presentation of foreign claims. Either step would weaken the reputation for financial reliability on which every aspect of our foreign policy is necessarily based.

From the strictly economic viewpoint it scarcely matters how our heavily adverse international balance of payments has been incurred. We give foreigners claims against us when we send cultural missions to Indonesia, when we finance all the factions in Laos, when we support army families in Germany and in a myriad other ways.

In every case dollars are placed in the hands of foreign banks and thereby become claims against us—for goods and services in the first place, but also potentially against our gold reserve. That will be drawn down if foreigners find our manufactures too expensive, or if there is good reason to mistrust the future purchasing power of the dollar.

Any extravagance by the incoming Congress can only serve to accentuate that mistrust, already all too obvious.

During the year just closed American industry has rolled up an export surplus of well over \$4 billion. That it has been able to make this contribution, in spite of many unnecessary obstacles, certainly suggests that the blame for the over-all adverse balance

rests squarely on governmental extravagance. Mr. Eisenhower is criticized for delaying, until after the election, the various curtailments which may now be expected to narrow the giveaway gap somewhat. However, even though belatedly, the outgoing Administration has now acted. That which is coming in will presumably have to maintain these minimum Eisenhower directives. And the responsibility for the further economies that are so clearly essential now moves, in large part, into congressional hands.

Just a year ago the budget for the current fiscal year too optimistically estimated a surplus of \$4.2 billion. As matters stand the new Secretary of the Treasury will be lucky if receipts are up to expenditures when the books are closed on June 30. For the dissipation of roseate hopes during the first half of this fiscal year the incoming Administration cannot be held responsible. But there will be no alibi if the Democratic Congress upsets the budget tentatively drawn for fiscal '62.

It will of course be difficult for the new Congress to accept the self-restraint now so clearly imposed by loose financing in the past. But without that restraint the new President would be constrained to use the veto power, no matter how contrary that may be to party platform and pre-election pledges. For the nation has been served clear notice that further deficits would stimulate increased mistrust of the dollar, a further drain of gold, and ultimate loss of that financial stability without which both the military strength and the international prestige of the United States will be largely paralyzed.



*Our gold reserves have fallen from \$23 billion to \$18 billion and foreign claims continue to grow*

So it is a new and sobering picture that the Eighty-seventh Congress faces. Certainly it has the power to pass a spate of welfare measures which may sound attractive to the highly gullible. Even among the new members, however, there can be few who do not realize that such legislation would be like iridescent soap bubbles. None can any longer even pretend that our staggering debt is unimportant because "we owe it to ourselves." A large part of it is now owing to others and they are in a position to collect.



# WAGE-FIXING WILL COST JOBS, BOOST PRICES

Survey shows impact of a new federal pay law, which is Kennedy Administration must

WITH THE STROKE of a pen, President-elect John F. Kennedy and the new Congress could:

► Force Mitchell & Company, a Haverhill, Mass., department store, to fire 25 employees, mainly elderly workers.

► Drive up the wage costs of S & S Cafeterias of Macon, Ga., by \$600,000 a year.

► Make the Plymouth Laundry of Chattanooga, Tenn., boost its prices by about 40 per cent, to avoid layoffs.

► Wipe out the narrow one per cent of annual sales profit of Bridgers Lumber and Building Material Co., of Tuscaloosa, Ala., or compel that company to discharge one third of its work force and raise its prices by five per cent.

If you multiply these scattered samples by thousands of businesses throughout the country, you see the solid impact of proposed changes in the federal wage and hour act that President Kennedy may sign into law this year. Congress would have to pass legislation first, of course. It will be drafting new wage legislation in coming weeks to increase the present \$1-an-hour minimum and enlarge the scope of the law which now covers nearly 25 million workers.

Mr. Kennedy himself was the author of unsuccessful legislation in the last Congress to raise the minimum wage to \$1.25 an hour and

increase the coverage to more than seven million employees in exempt retail and service businesses.

He has promised a new minimum wage measure from the Congress which is convening this month. But an intense fight to block or soften the legislation is certain.

Opposition to minimum wage raises is widespread because boosting the wage floor tends to boost all wage costs, even for businesses not directly covered by the law, in order to maintain wage differentials all along the line.

## **Wages via Washington**

A whole new concept has now been injected into government wage-fixing proposals. Traditionally, the minimum wage has applied to workers in interstate commerce. The idea now is to extend the wage and hour law to local businesses, even though 33 states have their own laws and local economies and customs differ greatly.

Government-ordered wage raises in retail and other local trades would have considerable effect because of the delicate balance between cost and profit for the typical retailer.

A wage raise that rewards increased productivity or efficiency doesn't topple costs off balance. But legislated wage increases, where there is no increase in productivity, compel a businessman either to raise prices where competition permits or lay off employees to keep down costs, or both.

The Massachusetts department store, Georgia cafeterias, Tennessee laundry and Alabama building supply company already mentioned are not isolated or extreme examples of the effect that businesses report they see in a potential change in the wage law.

If the law is enacted, a department store in a small Wisconsin city, for example, figures it will have to lay off 35 of its 80 employees, including a widow who has two small children and works part time to supplement a military service pension.

A variety store chain in eight southern states would be hit with a \$360,000 a year increase in wage costs. It would have to fire 110 workers—the youngest and oldest women employees.

A Louisiana druggist with five stores would have to discharge 50 of his 140 employees to stay in business. Some of them are teen-agers; some he describes as elderly widows supplementing their social security checks with part-time work.

A Cincinnati department store would lay off 90 employees, raise its prices one per cent, eliminate overtime and no longer consider hiring unskilled persons older than 50.

## **Would add to unemployment**

The widespread necessity for business to meet the cost of federally dictated wage hikes by dropping employees would aggravate a growing national problem of unemployment. The total out of work



has now reached between six and seven per cent of the labor force. This is the highest since the 1957-58 recession.

The high rate of unemployment is one of the domestic headaches President Kennedy faces. It's a particularly touchy issue for him in view of the political support he received from organized labor in his election campaign.

History is a guide to whether employers will do what they predict to keep wage costs in line. The U. S. Labor Department studied the economic effects of the minimum wage after it was raised in 1956 from 75 cents to \$1 an hour. The agency found "significant declines in employment in most of the low-wage industry segments studied." Employers cut their payrolls and replaced less efficient workers. They also installed more efficient machinery, changed product lines and raised production quotas.

In addition, some employers raised their prices. "Higher prices," the Labor Department said, "might in time have resulted in lesser demand and consequently in cut-backs of production and curtailment of employment."

If those who were laid off could not find work elsewhere, the study continued, "workers in the low-wage communities may remain unem-

ployed rather than obtain higher wages as a result of the minimum wage." Moreover, the Labor Department report concluded, if the most recent minimum wage increase in 1956 had become effective during a recession "its adverse effects on employment might have been much greater."

So the humanitarian objective of the minimum wage law—to raise the living standards of low-income people—could be subverted. The very people the law is supposed to help could be thrown out of work or would have to pay higher prices brought by the higher wage costs.

The cost impact goes far beyond the pay for employees at the minimum level, of course. The need for wage and salary differentials throughout an organization and throughout the economy forces all compensation costs upward.

## Effect on negotiations

The Communications Workers of America have told Congress that a new federal minimum makes it easier to negotiate higher wages.

Some union contracts in the garment industry provide that the contract minimum shall be raised automatically if the federal minimum is raised—to maintain wage differentials in the contract.

Many small retailers who might

continue to be exempted from any new minimum wage law feel that they would still be affected by it because they would have to pay more to compete for labor.

For example, Caldwell Sweet, a Bangor, Me., druggist, figures his wage costs would increase from 20 per cent of gross annual sales to 22 per cent and that he might have to lay off one or two of his 17 employees, even if his business is not covered in the potential law change.

William F. Regas, president of the Knoxville, Tenn., Regas Restaurant, a 250-seat, seven-day-a-week operation, estimates his wage costs would have to rise from a present 30 per cent of sales to 40 per cent. He says he would have to raise prices about 20 per cent and lay off dishwashers and kitchen helpers, both part time and full time, even if his business should not be covered directly by a new higher minimum.

The federal wage-hour law, formally known as the Fair Labor Standards Act, was passed in 1938. Its purpose was to eliminate from industries in interstate commerce "labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency and general well-being of workers."

Franklin D. Roosevelt, when he asked for the law in 1937, said it

“If minimum wage legislation is passed by Congress, you will be able to buy hotels cheap. I can't reduce my labor force without harming the essence of the hotel business—service.”

**Ernest J. Kuhn,**  
Manager  
Hanford Hotel, Mason City





was for "those who toil in the factories." He also said "there are many purely local pursuits and services which no federal legislation can effectively cover."

The law now requires employers to pay a \$1-an-hour minimum and overtime pay of time and a half for all hours over 40 in a workweek. The law covers all employees of companies engaged in interstate commerce or in production of goods for interstate commerce or in closely related processes essential to production of such goods.

The law generally exempts firms that are local in character, employment of a highly seasonal nature that requires long hours of work during certain times of the year, and employees in work where it is impossible for the employer to know or control exactly the number of hours worked.

Executives, professionals, local retailing employees and outside salesmen are exempt, as well as employees in agriculture, fishing and logging industries and taxicab work, for example.

William S. Street, president and general manager of Frederick & Nelson department store in Seattle, notes another inequity if coverage of the law is broadened.

"The retailer must serve his com-  
(Continued on page 42)



BLACK STAR

“It would be highly unrealistic to extend the law to retailing. The regulations would restrict administrative employees from performing their jobs.”

**William S. Street,**  
President  
Frederick & Nelson, Seattle

THOS. D. MCAVOY



“I couldn't stay in business without raising my prices for laundry and cleaning by about 10 per cent and laying off about 26 or more employees.”

**D. R. Slater,**  
President  
Fishburn Cleaning & Laundry Co.  
Dallas



# DOLLAR'S FUTURE BRIGHT

These overlooked factors will help to reverse gold outflow, payments deficit

LOOKING BEYOND the current crisis, prospects are good for reversing the flow of gold from the United States and maintaining international confidence in our dollar.

Without minimizing the present situation, some of the world's leading financial authorities point out that several important factors are working to our advantage:

- Expanding markets abroad.
- Investment by foreigners here.
- Growing returns from U. S. overseas investments.
- Falling interest rates abroad.
- Help from our allies on military and aid costs.
- More cooperation among financial officials.
- Less borrowing of dollars by foreigners.

Analysts warn that these forces will not automatically turn the gold tide. Washington must maintain confidence through sound budget and money policies at home.

President Eisenhower's orders to curtail overseas spending and return some military dependents to the United States increased public awareness of the problem. The mission of Treasury Secretary Robert B. Anderson and Undersecretary of State C. Douglas Dillon to seek help from Germany and other European allies further emphasizes it.

President-elect John Kennedy has pledged to maintain world confi-

dence in the dollar. Students of international finance stress that this will require avoiding the fear of inflation that would result from extravagant federal spending, or easy money policies not justified by economic conditions. Failure of Mr. Kennedy or Congress to recognize this need would bring quick protests from friendly foreign fiscal authorities and an increasingly knowledgeable American public.

Per Jacobsson, managing director of the International Monetary Fund and a recognized leader in global economics, puts equal stress on fiscal responsibility and greater attention to costs.

He quotes the *Book of Proverbs*: "How much better it is to have wisdom than gold . . .", and adds: "It is, of course, better to have both wisdom and sufficient reserves, but without wisdom and proper policies, no level of reserves will suffice."

Holding the line on costs is vital to a continued expansion of sales abroad, Mr. Jacobsson insists. "It is evident," he says, "that an increase in costs and prices here will involve the risk of American industries pricing themselves out of world markets. It would obviously be wrong to say that this has already happened, after the impressive increase in U. S. exports over the past 12 months."

## Costs a key element

Businessmen hustled exports in 1960 to more than \$19 billion, a

gain of some \$3 billion over 1959. Imports were held at about the same \$15 billion rate as in 1959, giving the U. S. a healthy edge of more than \$4 billion in foreign trade.

The red ink in Uncle Sam's balance of payments with other countries results from the money going abroad for things other than goods and services. Foreign aid amounts to some \$3 billion a year; military spending to more than \$2 billion; private investment abroad to about \$2 billion; tourist outlays to almost \$3 billion, and spending by servicemen and their dependents to almost \$1 billion. In all, the outgo topped income by \$3 billion to \$4 billion in 1960.

While exports can hardly be expected to increase enough to offset this entire deficit in a short time, a continuing rise over the years would be among the best long-range solutions.

The chances for such an increase are excellent. The economies of Western Europe and Japan, in particular, are expanding tremendously. As a result, Bradley Fisk, Assistant Secretary of Commerce for International Affairs, estimates the market in foreign countries for imported goods will rise by \$15 billion in the next five years.

Businessmen attending a recent convention of the National Foreign Trade Council estimated exports in 1961 at a record \$21.5 billion.

Officials of government agencies, the International Monetary Fund



and other international organizations are constantly seeking to get other countries to lower the barriers they have raised against American goods. Progress has been slow, partly because of uncertainty about the new European trade blocs, but officials claim the trend is definitely toward easing of restrictions. This means more U. S. products will be able to flow abroad in the years ahead, provided businessmen sell them aggressively. In the past year, the government has offered more cooperation in helping to find markets, promote American products and advise prospective exporters.

#### **Investment by foreigners**

Fears of a recession in the U. S. dampened investment by foreigners here in 1960, but analysts consider the setback temporary. The year before, the capital inflow reached a record \$550 million, and reinvested earnings totaled nearly \$200 million. The value of foreign investment in the United States is more than \$17 billion.

Mr. Jacobsson predicts that much more European capital will come to this country in the not too distant future. He reasons that rapid American population growth will require large investments over the next 40 years, while Europe's population is growing more slowly.

"It is, therefore, to be expected that there may fairly soon be a tendency for capital to flow from Europe to other countries, including the United States," he says. "The capital outflow may take many forms: the financing of international trade, repurchase of assets now owned by Americans in Europe, purchase of stock exchange securities, as well as direct investment by Europeans in the United States."

Europeans sold stocks to buy gold when faith in the dollar was shaken by the gold outflow from the U. S. and speculation in gold markets last year. When they are again convinced that America will not be forced to devalue its dollar, many of these investors likely will put their money back into stock.

International economists point out that gold is not a profitable long-term investment. It draws no interest or dividends. One expert notes that it is to America's advantage, to some extent, for foreigners to take gold instead of dollar holdings which require interest or dividend payments.

Monetary experts point out that excessive reserves, as well as a lack of reserves, can be harmful to a

nation's economy. Money must be put to work to be any good. Business long ago learned that wise spending for expansion, modernization and diversification provides higher returns than pigeonholing of funds. In the case of nations, government policies should be directed toward leaving ample funds in private hands to encourage expansion and keeping reserve funds high enough to back the currency in domestic and foreign trade.

#### **Overseas investments**

Dollars invested abroad worsen the balance of payments problem at the time they flow out of this country. But businessmen invest in foreign subsidiaries and branches for the same reason they put more funds into their domestic operations—to make more money.

Ford Motor Company, for example, certainly is not expecting to lose the more than \$350 million it is putting into its British subsidiary.

Over the years, therefore, the net result of overseas investment is almost certain to be on the plus side for the U. S. In fact, even now the returns are considerably higher than is generally realized. Direct investments of American firms abroad totaled \$2.5 billion in 1959, while payments to the U. S. resulting from this and earlier investments amounted to \$2.2 billion. The 1960 figures are estimated to be about the same.

Analysts point out that Britain

was able to maintain top position in international finance for decades through its returns from investments abroad while its other transactions would have resulted in serious balance of payments problems.

#### **Interest rates abroad**

Some funds from U. S. business and individuals are placed in foreign accounts, rather than in enterprises. The principal factor drawing such money abroad is a substantial differential in interest rates. Many money managers feel it's only common sense to place their idle funds where they will draw five per cent, for example, rather than two per cent, even if this means sending them abroad.

Economists estimate last year's outflow of such funds as high as \$2 billion, perhaps half the American balance of payments deficit. Some term it hot money; others prefer the tag, volatile capital. In either instance, the implication for the future is not all bad. Most experts are confident that much of this money will come home when the prospective return on it here is reasonably in line with that abroad.

The interest rate gap already is narrowing. Britain, France and Germany have lowered their central bank rates in recent months. Observers agree that the European boom is weakening. At the same time, it is becoming apparent that recession fears in this country have

*(continued on page 46)*

## **Trends to help dollar:**

- **Expanding markets abroad**
- **Investment by foreigners here**
- **Returns from overseas investment**
- **Falling interest rates abroad**
- **Help on military and aid costs**



IS YOUR  
SELF-IMAGE  
THAT OF:



# Put your ego to work

A strong self-image is important  
to your success. This tells why

SUCCESS IN BUSINESS depends, more often than not, on what a man thinks of himself.

Every businessman has a self-image—a mental image of himself as an executive. Much of what is called executive behavior has to do with the need to feel important as a person. Decisions are made, organizations are changed, personnel are moved because of the executive's need to act like the kind of man he is or wishes he were.

The businessman is not alone in this. The improvement and defense of one's self-image is probably the most potent of all human needs. Life is filled with events that challenge each of us to act as we think we ought to act. The compulsion to

do so comes not only from within us, but also because the public insists on dropping people into slots. Such words as broker, Madison Avenue type, small businessman, tycoon, Wall Streeter, Ivy Leaguer, all evoke a mind-picture of the person being talked about.

The public's image of the executive is a man, slightly tall and graying, with aggressive tendencies well controlled and directed by judicious restraint and loyal performance. Traditionally regarded as a maker of important decisions, he has lately become known also as a maker of men. In short, he is an important person who does important things.

Except for a few perverse types who delight in being different, this

public image to some extent controls the business executive's self-image. To be effective he must look and act as people expect him to look and act. But his personal limitations, abilities or preferences modify the way he does this.

He has, therefore, his own private picture of himself, shaped in part by public demand, in part by what he thinks he is and what he wishes he were.

This mental picture is the executive ego. We will understand ourselves and our associates better if we understand:

- How our self-image affects our business behavior.
- How it contributes to strength and weakness.
- How we can control it to improve effectiveness in ourselves and others.

## **The self-image at work**

Although almost all executives have in them the same qualities,  
(continued on page 52)



## HOW TO UNDERSTAND YOURSELF

HOW you answer the questions below can give you some useful insights into your personality. Read the article first, then ask yourself the questions. You will find that the questions stimulate thinking about what you really are and what you aspire to be.

1. What is it that you really want to become in your work?
2. Is your mental image of yourself inflated beyond attainability?
3. Is this image supported by your accomplishments?
4. Is it supported by the opinions of others?
5. Have you forgotten important past career accomplishments?
6. Are you too pretentious?
7. Can you change your self-image to one that is more attainable?
8. How demanding has your self-image become?
9. Are you aware of it wherever you go?
10. Are you too emotionally involved in things that really don't count?
11. How well do you handle threats to your self-estimate?
12. How often do you lose control of yourself?
13. Can you take up other activities to counteract a personal setback?
14. Do you try unaggressive ways of handling a threat to yourself?
15. Can you use humor effectively in your personal relationships?
16. How hard do you work to impress others?
17. Do you know when you have successfully impressed someone?
18. Can you wait for something that you do not need but want badly?
19. What program or idea do you stand for in your organization?
20. Are you sure your program is within the realm of practicality?
21. How much do you use your energy to sell people on your idea?
22. Does your organization still need what you have plugged for?



# CHAIRMAN SAYS: RULES COMMITTEE HELPS YOU

No need to rush Kennedy program, says key strategist in Congress

**NATION'S BUSINESS INTERVIEW  
WITH REP. HOWARD W. SMITH**

THE MAN who could have the most to say about how far and how fast the Kennedy Administration will go toward its promised New Frontier is a lean, soft-spoken Virginia banker-farmer named Howard Worth Smith.

Mr. Smith is chairman of the Rules Committee of the House of Representatives. He is leading strategist of bipartisan conservative forces in the House.

His Rules Committee has blocked passage of expensive and liberal proposals in the fields in education, housing and labor legislation. Little can be done in the House, and therefore in Congress, without considerable delay and compromise unless this potent Committee approves. That's why it is sometimes called the third house of Congress.

The power of the Rules Committee in past years has been besieged by conservatives and at other times by liberals. [See "Federal Spenders Look to '61", NATION'S BUSINESS, June 1960].

Now a liberal bloc wants to sap the Committee's power and push through Congress generous measures to enlarge the role of the federal government in our lives. At the start of the last Congress, the liberals got a promise from Speaker of the House Sam Rayburn that he would see that the Rules Committee didn't bottle up legislation needlessly.

The liberals are more determined this year. If they succeed in weakening the Rules Committee's authority, however, chances are the Committee will regain its power

eventually. A decade ago, Congress changed the rules to permit House action on legislation which had been in the Rules Committee for 21 days. Several important bills were hustled through Congress as a result. But in the next Congress the House did away with the 21-day rule and restored the former authority of the Committee.

If the liberals win their battle to change the Rules Committee this year, Judge Smith—as he has been called since his days on the Virginia bench—will still lead maneuvers against drastic legislation.

"There is no occasion for hurry" on Kennedy Administration programs, he told NATION'S BUSINESS in the following exclusive interview. In the interview he describes his philosophy and the functions of his unique Committee.

**Judge Smith, the Rules Committee has been called dictatorial and despotic. Can you tell us why?**

There are many reasons.

Sometimes the Rules Committee doesn't agree with some of the folks who are in a big hurry, and bills are delayed while they are being examined. At times the Committee members think that the measure is one that the House doesn't want to consider at the time and they don't grant a rule compelling the House to vote on the measure. However, there is one fundamental thing about the whole system of procedures of the House of Representatives. That is, the majority can always rule. If they want a bill out of committee they can get it out.

The rules provide the method for doing that. Most of the trouble with the Rules Committee is that a few people become disgruntled by particular instances when legislation doesn't reach the floor as promptly as they would like it to.

**Is it true that the Rules Committee gives rules permitting action on perhaps 99 per cent of the bills that come to it?**

Yes. I wouldn't fix the percentage, but we rarely refuse a rule.

**What would you say the proper function of the Rules Committee is today?**

Well, the Rules Committee has jurisdiction over any proposal to change the rules of the House. It has jurisdiction to determine the order in which bills shall go to the floor for debate, and the terms under which the debate shall be conducted; for instance, whether amendments shall be allowed, how many hours of debate, and things of that kind.

The Committee's jurisdiction also extends to all proposals for investigations by Congress.

**Can you cite an example of how the Rules Committee aids the democratic process?**

There are a great many bills that have been influenced by public sentiment after they have been out of their legislative committee and before the Rules Committee long enough for the country to begin to understand what they are all about. The Landrum-Griffin labor reform  
(continued on page 42)







# A NEW LOOK AT THE SIZZLING 60's

There's no cause for gloom over the slow start of a decade that was much heralded. Here's why

PROSPECTS are still good that this decade will justify the "Sizzling Sixties" title that was coined for it a year ago. The fact that the decade started with a year of below-average growth is not necessarily significant. Three of the five good decades of this century started the same way.

The lack of strong growth in 1960 might even suggest that the number of good years in the next nine will be greater than average.

Fluctuations will continue, as they always have, but judgments about the prospects for the 1960's must be based on the assumption that average growth rates of the past six to 10 decades can be expected to continue.

That is not an unreasonable assumption, although it will not be as easy to realize in the 1960's as in the 1950's.

Its realization depends chiefly on two factors:

- ▶ Continuing increases in productivity.
- ▶ Production of goods and services which industry and consumers can and will buy.

## **Productivity**

Many forces will help determine whether the average worker's productivity will continue to rise as rapidly as in the past.

Productivity has risen in recent years partly because the production of producers' goods, including machinery and equipment, has proceeded at relatively high levels.

The 1940's started with mostly old equipment in the hands of industry. Expenditures for producers'

durables were under \$9 billion a year (in 1959 dollars) during the 1930's. The shortages of available equipment in the war years caused the value of equipment in use per worker to drop until 1944.

But from 1945 to 1949 it went up a fifth. During the 1950's the value of equipment per worker rose by an average of nearly 2.25 per cent per year.

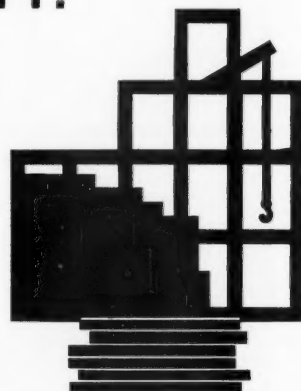
Because of this investment, productivity in manufacturing has risen about twice as fast as in other areas.

The production of goods has represented a relatively high percentage of the total volume of business.

Manufacturing was such a high proportion of the total during much of the two past decades because of the big backlogs of demand built up during the 1930's and World War II.

Now the backlog of consumer demand has largely been met. Industry's purchases of producer durables also have been dropping relative to total production. As industry re-equips, its purchases tend to shift

## PRODUCTIVITY:



Better profit outlook will encourage  
flow of funds for industrial growth



to a current-needs basis. Annual capital outlays as a proportion of the total value of goods and services produced each year—gross national product—dropped about a sixth during the 1950's.

These combined trends could mean a further decline in the relative importance of manufacturing during the 1960's. If the economy as a whole is to grow at previous rates, but manufacturing output declines in importance, productivity in manufacturing must rise even more rapidly than in the 1950's.

For each \$20 billion increase in the gross national product (a four per cent growth rate) a net investment, after depreciation, of \$32 billion is required. For a growth of six per cent, or \$30 billion, a net investment of \$48 billion is needed. It has been calculated that, to maintain a four per cent over-all rate of growth in the economy, about 11 per cent of the total volume of production must go into new plant and equipment. To maintain a six per cent rate, 13 per cent must go to capital outlays. For the past three years, capital outlays have been below 10 per cent of the gross national product.

The new equipment which made the earlier growth possible was bought, in part, as a result of the special rapid tax amortization allowed many industries during the Korean episode. More recently it was purchased as a result of a change in the rules under which investment may be amortized for tax purposes. Now studies by the Joint Economic Committee and the House Ways and Means Committee suggest that further changes in tax rates and procedures may be necessary if the equipment needed to enable over-all productivity to continue to rise by 2.25 per cent per worker can be profitably purchased.

This is true because internally generated corporate funds finance 90 per cent or more of plant and equipment spending. To raise the other ten per cent, through the sale of stocks or bonds, the prospects for a return on the investment must seem satisfactory. More investment from either internal funds or by borrowing, or both, will require an appreciable increase in prospects for profits after taxes.

Since services and construction now represent nearly half of total consumption, productivity must also rise in these fields if the growth forecast for the 1960's is to be achieved. The number of sales per

clerk must rise, the bed days per hospitalized patient must fall, the output per government worker must increase. Similarly, the cubic feet of space enclosed, or the mile of highway or of sewer laid per construction worker, must rise.

A better-trained labor force with better labor-management relationships can make an annual four per cent to six per cent growth rate possible. Labor and management both realize the need for better productivity, so featherbedding should decline. Without such developments, productivity may not rise in the 1960's even as much as in the 1950's.

But assuming, as seems reasonable, that these tax, personnel, and other problems are solved to an appreciable extent, then an annual rate of growth of 1.75 per cent to two per cent in employment, and of two per cent to 2.25 per cent in output per worker employed would yield a total annual rate of growth of 3.75 per cent to 4.25 per cent, and produce a gross national product in 1969 of \$700 billion to \$750 billion, in 1960 prices. That would be a healthy volume of business.

#### **Making sales**

The goods produced in the 1960's must be goods which the consumers and industry want and are able

and willing to buy. Although the University of Michigan Survey Research Center studies continue to show that the consumer is willing to buy, there is no longer a tremendous backlog of demand to insure a market for new equipment.

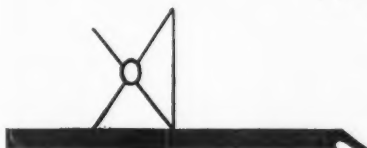
For instance, sales of durables to consumers went up from \$14 billion (in 1959 prices) in 1939 to \$28 billion in 1949 and increased \$15 billion more in 1959.

This means that the markets of this decade will emphasize luxury goods. Families which want luxury goods can wait until they are offered the goods they want, of the quality and design they want, at a price they are willing to pay.

The past decade also started with a relatively high volume of resources to finance purchases. Total deposits and currency had increased more than 50 per cent in dollars of constant business purchasing power from 1939 to 1949. The real value of business loans had increased nearly 70 per cent. Liquid assets in the hands of consumers had grown even faster. Marketable federal government securities in the hands of the public had grown nearly 300 per cent. Consumer loans in real terms grew by 40 per cent in the 1940's, and nearly 150 per cent in the 1950's.

*(continued on page 44)*

## **CONSUMPTION:**

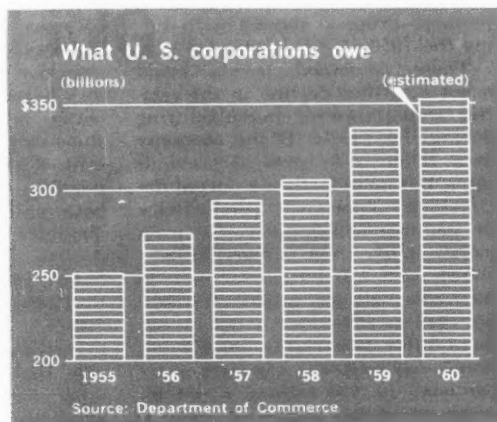


**Luxury market will grow as backlog demand for consumer needs is filled**



# HOW'S BUSINESS?

## today's outlook



### AGRICULTURE

Farm prices and incomes for 1961 are expected to remain around the levels of the past two years, according to the U. S. Department of Agriculture.

Record crop output in 1960 and rising production of most livestock and poultry items assure another year of large supplies.

Despite some slackness in the economy, domestic demand for food and farm products is expected to remain firm in 1961. Exports may even exceed last year's record high.

On the financial side, farm debts are rising. As a result, the ratio of farm debts to total assets is now estimated at about 13 per cent, compared to 11 per cent two years ago.

The apparent leveling off in production costs and family living expenses, coupled with prospects for longer marketings and not much change in prices received, suggests another year with realized net income from farming running between \$11 billion and \$12 billion. Assuming a continued decline in the number of farms, the income per farm may be higher in 1961.

### CONSTRUCTION

Look for Congress to face a big parcel of proposals for increasing federal spending and lending for community development and housing.

This session will see a continuation of the clamor for more money under existing programs—such as

urban renewal—and for more new programs.

Among the programs already operating are those providing urban renewal grants, college housing loans, housing loans for the elderly, urban planning grants, public works planning advances, public facility loans, Veterans Administration loans and loans under special assistance operations of the Federal National Mortgage Association.

There is some doubt that these programs play vital roles in generating improvement work and stimulating construction activity. Some programs encourage local governments to wait for federal aid rather than go ahead with construction on their own. In housing, boom-and-bust conditions are intensified by federal overstimulation of building in one year—and a drop in the next.

### CREDIT & FINANCE

Some general statements can be made regarding the supply of and demand for loan money. Payments on private debt are making needed loan funds available. This should create a flow of money to finance business activities. Federal Reserve activities also will provide necessary funds for financing business endeavors. These factors suggest a good supply of loan funds in 1961.

Demand is less easily predicted. Some economists feel that the increase in state and local government borrowing this year will match the increase in 1960. The uses to which the federal govern-

ment puts its funds may be determined in large measure by the balance of payments position. This situation may curtail expenditures under the new Administration.

Loans to businesses will increase as the year progresses. During 1960, most firms lived off their inventories. Since this situation cannot last long, an inventory buildup must necessarily follow.

### DISTRIBUTION

Distribution business failures in 1960 ran 3.5 per cent above 1959.

Failures in commercial services were up five per cent; in retailing, up three per cent; in wholesaling, up four per cent.

With rising mortality rates, plus problems of shaded profits, and tightening competition, businessmen in distribution face the additional threat of higher costs through new wage and hour legislation.

The new Administration is expected to give priority to raising the minimum hourly wage to \$1.25 and extending the wage-hour law's coverage to the retail and service trades. If passed, the amended law would add to cost pressures.

This will make price cuts, which some economists say are essential to spur consumer buying, more difficult.

### FOREIGN TRADE

A massive tariff classification study—the first undertaken since enactment of the Tariff Act of 1930—



# Chamber of Commerce of the United States

has just been completed by the United States Tariff Commission.

Authorized by the Customs Simplification Act of 1954, preliminary reports on the classification of thousands of items moving in international trade were subjected to public hearings throughout 1958 and 1959.

Purpose of the new study is to clarify customs classification of imported articles and to take into account the large number of inventions and other product innovations since 1930. The aim is to modernize and simplify current tariff classifications. The report comprises eight volumes by product categories with background materials.

Legislation required to put the recommendations into effect is expected to be introduced early in the Eighty-seventh Congress.

## GOVERNMENT SPENDING

Although the fiscal 1962 budget to be submitted by President Eisenhower this month is expected to forecast a small surplus, several factors threaten a deficit.

President-elect Kennedy has indicated his intention to make budgetary proposals shortly after his inauguration. He will undoubtedly call for increased spending in the areas of defense, federal aid to education, and aid for depressed areas.

The new President may elect to send a separate budget to the Congress, or he may make revisions in the Eisenhower budget by means of special messages. President Eisenhower used the latter method in amending the last Truman budget.

In addition, if President Kennedy feels that economic activity has slowed unduly, some antirecession programs may be proposed. If business profits decline in the first half of 1961, the resulting fall-off in business taxes would be another deterrent to achieving a surplus.

## LABOR

Labor-management problems will be close to the top of the legislative agenda for the Eighty-seventh Congress.

Union chieftains can be expected to press vigorously for: legislation to relax restrictions against picketing of building subcontractors, an increase in the minimum wage and extension of coverage, repeal of legislation allowing states to enact

right-to-work laws, and liberalization of the Davis-Bacon Act requiring payment of prevailing wage rates on government financial projects.

Management's major goals for a fair and positive labor program will be to: 1, preserve and strengthen Landrum-Griffin's ban on secondary boycotts; 2, maintain the federal minimum wage at its present level; 3, overhaul the Davis-Bacon and Walsh-Healey wage determination statutes; and 4, preserve the right of states to outlaw compulsion in union membership.

Labor demands for repeal of "antiunion" legislation will be countered with strong efforts to curb and control widespread monopolistic practices by unions.

## NATURAL RESOURCES

With a new Administration taking office Jan. 20 and the Senate Select Committee on Water Resources due to report this month, changes in the approach to natural resources development can be anticipated.

The Bureau of Reclamation is recommending a \$300 million minimum annual construction program for the next 40 years. The 1960 program is \$260 million. The Army Engineers have recommended that the current \$300 million a year appropriation for flood control, exclusive of multipurpose projects, be increased to \$500 million annually by 1970.

"Project justification" is in for a change. The Bureau of the Budget has questioned recognition of benefits for more than 50 years, yet those outside the Bureau indicate that benefits should be determined for a period approaching 100 years.

Some urge that indirect benefits of multipurpose projects be assigned values in project justification. Specific items mentioned are recreation, fish and wildlife, salinity and sediment control, and new wealth and tax bases created by the projects.

A real possibility is the development of a plan distinguishing between budgeting expenditure and investment in self-liquidating public works projects.

## TAXATION

If pre-election promises are carried out, we can expect some activi-

ty in the field of taxation in 1961.

One tax promise stood out in Senator Kennedy's campaign speeches. In the field of depreciation the President-elect made it clear that something must be done soon. On more than one occasion he emphasized the need for plant modernization in this country.

He recognized that this need could be met in part by liberalized depreciation laws.

Senator Kennedy also advocated the closing of so-called tax loopholes. "Loopholes," as interpreted in the Democratic platform, include inequitable depletion allowances, credit for some dividend income and extravagant business expenses.

Also due for possible consideration will be a bill sponsored by Representative Boggs, Democrat of Louisiana, under which companies which suffered losses of assets in Cuba as a result of the Castro takeover would be allowed to write them off for tax purposes.

## TRANSPORTATION

The nation's carriers expect to maintain 1960 levels of business or score moderate gains in 1961. The most optimistic are the airlines. They anticipate gains of from six to seven per cent.

Based on preliminary estimates, domestic freight movements for 1960 totaled 1,328 billion ton-miles. This is up about 3.5 per cent over 1959, and is an increase of 10 per cent over 1958.

For 1960, the railroads with 573 billion ton-miles showed a decline of less than one half per cent under the previous year.

Other carriers reported moderate increases: trucks, 285 billion—up 1.8 per cent; oil pipelines, 236 billion—up 2.7 per cent; inland waterway and Great Lakes carriers, 233 billion, up 18.9 per cent. Air ton-miles amounted to 652 million, up 7.2 per cent.

Passenger transportation was up slightly more than three per cent over 1959.

Of the 775 billion passenger-miles for 1960, the automobile accounted for about 700 billion, up 3.3 per cent.

The airlines reported 31 billion, up more than five per cent. Bus travel remained constant at 23 billion, while railroad travel dropped 3.4 per cent to 21 billion.



## RULES COMMITTEE

*continued from page 36*

bill of 1959 is an example. In that case the Committee held the bill long enough so that the public could understand what was involved. As a result, the bill was passed by a very great majority.

**If Congress changes the power of the Rules Committee, what dangers do you foresee?**

The determinations that are made by the Rules Committee have to be made by someone. Between 15,000 and 20,000 bills of the Senate and House come before each Congress. It's obviously impossible for Congress to debate them all, or even the majority of them. Somebody has to do the weeding out. Now most of the weeding out really is done by the legislative committees. The Rules Committee doesn't hold up one per cent of what the legislative committees of the House hold up. Why? Because they don't think they are good bills.

Then, after the committees get through weeding out, there are still a great many more bills than Congress has time to digest and consider. The Rules Committee, the Speaker of the House, the Majority Leader, or a combination of those has to do the weeding out and the Rules Committee is charged with that duty.

The criticism of the Rules Committee has been going on since I joined the Committee 28 years ago.

**Do you see anything coming like the 90 or 100 days that Mr. Kennedy has talked about? Something akin to the first 100 days of the Roosevelt Administration, when drastic welfare state legislation was enacted?**

No. We don't have the emergency we had in the Roosevelt days, and we don't have the necessity for rapid action. I think the country is prosperous, and business conditions are such that we can study legislation and give the people back home time to understand it and express their views.

**Will the conservative Democratic-Republican coalition be effective during the Eighty-seventh Congress?**

Well, there isn't any coalition. There never has been. And I don't think there ever will be. It is merely an informal situation with people who are for bills or people who are against bills voting together, irrespective of which side of the aisle they are on. One set of fellows who are for a bill or against it teams

up with a similar set of fellows who are on the other side of the aisle (dividing the Democrats and Republicans). They may win or lose, but it's never the same combination. There are a lot of liberals on the Republican side and a lot of liberals on the Democratic side. Often they team up for or against legislation.

**Judge Smith, what general criteria do you use in judging a bill?**

In the first place, I don't think we ought to spend more money than we have. No business could do it and survive, and I don't think the government can do it and remain on an even keel. As a matter of fact, we have been at it too long now. It's beginning to show itself in the dollar situation and the gold situation, and the difficulty in selling government obligations.

That is one thing.

Another is: What is the function of the federal government? Some people like myself are old-fashioned enough to think that the federal government has those functions which are given it by the Constitution and, therefore, we don't have jurisdiction to run all over the lot delving into matters that are more properly adjustable at the state or local level.

**Is it a good idea for businessmen to let their congressmen know how they feel about a bill?**

It is the privilege and the right—or perhaps duty—of any citizen who is interested in legislation, to ex-

press his views. He expresses them to the congressman, and the congressman from that may get some useful information. Then he expresses his views in Congress. That is the way legislation is made.

**Does public reaction weigh heavily in the decisions that the Rules Committee makes?**

That's true at times. There are organized letter-writing campaigns, but a member of Congress who has been here any length of time soon recognizes the difference between a real interest and a propaganda campaign.

**Does Speaker of the House Sam Rayburn want a change in the Rules Committee, or in the rules?**

I have never discussed that matter with Mr. Rayburn nor has he discussed it with me, either directly or indirectly. I don't know what his views are. We have gotten along pretty well in the past.

**Do you think the rules are going to be changed, or the membership, or the make-up of the Committee in this session of Congress?**

I don't know. I am not in favor of changing them, and it's just a question of who has the most votes. I have no quarrel with anybody who thinks differently than I do. When somebody holds up some of my bills and they don't get through as fast as I would like them to, I get mad about it, too. I can't blame the other fellow for feeling that way. **END**

## WAGE-FIXING *continued from page 31*

munity or soon go out of business," he says. "But the Fair Labor Standards Act regulations could restrict this service if the law is extended to retailing."

Executive and administrative employees, to be exempt from overtime provisions of the law, must limit to 20 per cent the time they spend in work that is covered. "This is highly unrealistic in retailing," Mr. Street explains. "Each selling department manager or assistant manager must necessarily spend part of the work day on the selling floor handling customers and doing other non-supervisory work as needed. A limit on their work to meet the law's definition of executive or administrative employees would in turn limit service to customers."

The wage-hour law was amended in 1949 to clarify its limitation to

interstate commerce. The minimum, 25 cents an hour in 1938, raised to 40 cents in 1945, was raised to 75 cents an hour in 1949.

Since the latest boost in the minimum in 1956, more and more lawmakers have wanted to extend the coverage to businesses in local and intrastate commerce. The approach has been to seek coverage first for the large stores as measured by sales volume or the number of stores under the same management or by some other means.

### Action last year

In 1960, the Senate passed a bill that would have covered about four million additional workers—mainly in retail and service trades. It provided, too, for a gradual increase in the minimum wage to \$1.25. Enterprises with annual gross sales





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## WAGE-FIXING

*continued*

of \$1 million or more were to be covered. However, the definition of "enterprise" seemed to include leased and franchised businesses and many small establishments.

Under this bill, the concept of coverage would be changed from companies in interstate commerce to companies "affecting" interstate commerce.

Some legislators thought this could actually mean federal coverage of all employees of all businesses. A similar measure in the House of Representatives was blocked, and another bill was substituted. The bill that was passed provided for a minimum wage of \$1.15 an hour for employees presently covered and extension of coverage to 1.4 million employees of retail employers operating five or more retail establishments in more than one state.

The two versions could not be compromised in the high-voltage political atmosphere before the election, so no new law was enacted.

Recently, the Domestic Distribution Department of the United States Chamber of Commerce collected data from a sample of businesses which might be covered if the scope of the wage-hour law is broadened in 1961.

The Chamber asked each business to judge the impact of proposed legislation on its own operations. It picked a set of provisions that seem most likely to be included in any measure to be considered in the new Eighty-seventh Congress:

A new federal minimum of \$1.15 an hour for manufacturing and other employees covered by the law, going to \$1.25 after two years.

New coverage for retail and service establishments if their gross annual sales total \$250,000 or more—provided they have at least one employee who regularly travels or communicates across state lines in his work or orders, receives or keeps records on goods from outside the state. If annual sales are \$1 million or more, the establishment would be automatically covered. If the establishment is a member of an enterprise, and if this enterprise has combined annual sales of \$1 million or more, coverage is automatic.

The newly covered retail and service employees to be paid a minimum of \$1 an hour, going to \$1.25 an hour after three years. A year from now these employees would be paid time and a half overtime for all work over 44 hours a week, and,

two years from then overtime pay for over 40 hours a week.

### Case histories

D. R. Slater, president of Fishburn Cleaning & Laundry Company, in Dallas, analyzed the effect of such a change and reported that his employee wage costs would increase by \$62,400 a year. He said he could not stay in business without raising prices about 10 per cent and letting some employees go.

Mr. Slater told NATION'S BUSINESS that he has adjusted his employees' wages upward as he has automated his business. In the past three years, in the laundry department, wages have gone from an average of 67 cents an hour to 92 cents an hour. There is considerable worry among retailers over the effect of the potential government-legislated wage hike, he says.

Ernest J. Kuhn, of the Kuhn Hotel Co., manager of the Hanford Hotel, Mason City, Iowa, points out that in a service business such as his "it is practically impossible to reduce your labor force substantially . . . without seriously harming the very essence or reason for the hotel business—service."

He adds: "There is not enough mechanization or automation yet developed to save my business from the minimum wage horror. If minimum wage legislation is passed during the next session you'll be able to buy hotels cheap."

Mr. Kuhn figured wage costs would rise from nearly 33 per cent to 50 per cent of sales, an increase of \$84,131 in wages a year, thus eliminating profits.

Paul F. Hausam, president and general manager of Midwest Auto Stores, with 12 stores in Missouri and Kansas, estimates that new minimum wage legislation would "cause great pandemonium." He calculates his direct retail wage costs, now nearly 15 per cent of annual sales, would rise to about 23 per cent and net profit would drop to below zero.

An automotive supply retailer and wholesaler, Mr. Hausam told NATION'S BUSINESS: "We probably would have to liquidate our retail operations. We don't want to, but that's what a new extension of the law would force us to do."

### Real effect

So, while both political parties have pledged themselves to stimulating more economic growth, Congress is on the verge of considering legislation that would make many businesses shrink their operations.

At a time when low wage costs abroad enable foreign competitors to undersell domestic producers, a forced increase in the U. S. wage structure would further handicap many U. S. businesses. It could tend to worsen our international balance of payments problem.

In many retailing and service businesses, teen-agers and older men and women are the backbone of the employee force. Many Negroes and marginal workers find their only place of employment here. A minimum wage would close the door to job opportunities in many sections and swell the already growing ranks of unemployed.

Small businessmen throughout the country feel that extension of minimum wage coverage not only would be an unwarranted federal invasion of local commerce, but would mean layoffs and higher prices. Even if the small-volume businesses were exempt, price increases made necessary at manufacturing and wholesale levels would mean added merchandise costs, and higher wages paid by larger competitors covered by the law would lure away the small operator's best employees or make him meet the higher wages.

**END**

REPRINTS of "Wage-fixing Will Cost Jobs, Boost Prices" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H Street, N. W., Washington 6, D. C.

## SIZZLING SIXTIES *continued from page 39*

The Sixties start with a large, but not necessarily burdensome, short-term consumer debt. Savings, however, which averaged under seven per cent of disposable income from 1947 to 1959, now are running above eight per cent, partly because business does not seem to know what to produce, at what price.

This has resulted in an increas-

ing awareness of the importance of costs, and a determined effort to hold them down. As long as almost anything could be sold, costs were not an engrossing subject. But as markets tighten and shift, prices and, therefore, costs become more important.

This makes labor negotiations more difficult. When increases in



wage rates and fringe benefits must be kept within the limits of productivity increases, difficulties develop for both management and labor leaders.

That occurred last year, accentuating the economy's hesitation.

#### Making adjustments

It will take time to make the adjustment from the production habits, marketing habits and labor relations practices of the 1950's to habits and practices that will fit the 1960's. Some companies and unions are making these adjustments now and are showing increased sales, employment and profits. One of the big advantages of our competitive system is that new ideas, new methods, new approaches, are copied quickly as they prove advantageous and adjustments can be made quickly.

The tremendous rise in research and development spending in the past decade, together with recognition in Washington that increased investment is necessary to healthy growth, suggest that output and consumption can rise by four per cent or more a year for the 1960's as a whole. This should assure a higher standard of living and a good rate of employment, although employment probably can grow at no faster rate than in the past and may grow more slowly.

Unemployment at the beginning of the 1940's was about nine million—15 per cent of the labor force. By the start of the present decade it was down to about four million—slightly more than five per cent of the labor force. The number of employed, meanwhile, grew by 22 million in the two decades, or about two per cent a year.

Now earlier retirement, longer schooling and a decline in the number of women entering the labor force may tend to check this rate of increase.

But the labor force will continue to grow. Better-educated managers and more sophisticated labor leaders should assure that this growing force will be better utilized.

The real question, therefore, is not will growth be resumed in the 1960's, but how soon will growth be resumed? It seems reasonable to believe that the time interval can be measured in months—possibly in weeks. The exact date is a matter of attitudes as much as of statistics. With an occasional minor relapse needed to keep both management and labor on its toes, the 1960's should prove to be a prosperous decade.—ROBINSON NEWCOMB

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## DOLLAR'S FUTURE

continued from page 33

been overemphasized. As the U. S. economy resumes its uptrend, interest rates here will firm up.

### Help from our allies

Government authorities are convinced that friendly foreign nations will inevitably come around to sharing the military and foreign aid costs which represent a drain of more than \$5 billion on the American budget each year.

Germany's reluctance to contribute \$600 million a year to the support of U. S. troops there is not final. Bonn officials are willing to help more with North Atlantic

Treaty Organization costs, and have already announced their intention to make economic aid loans to less prosperous countries. This would ease Uncle Sam's foreign aid burden.

Additional help from Britain, France, Japan and other allied nations is expected.

In addition, the shift to intercontinental ballistic missiles and missile-firing submarines for defense will lessen the need for U. S. military bases abroad, reducing the need for outlays outside this country.

### More official cooperation

Financial authorities throughout the free world are aware that the dollar is the basis for most of its

financial system. The official banks of Western European nations are concerned with preserving confidence in U. S. solvency, not in destroying it with a run on American gold.

"There is more cooperation between the monetary authorities than is generally known," Mr. Jacobsson comments. But he stresses that additional coordination is needed.

"In particular it is essential that there should be close contact between the financial authorities on the two sides of the Atlantic, something we failed to establish in the period between the two wars. Fortunately, the leading industrial countries have nearly all accumulated sufficient, or almost sufficient, reserves. In the next few years I hope we shall be able to consolidate the present exchange structure, and on that basis be able to create the conditions for sustained economic growth."

In addition to refusing to create a run on gold, financial officials in other countries can dampen gold speculation, as Britain did last summer, and can cooperate in stabilizing interest rates.

The International Monetary Fund, which maintains close contact with all free world monetary authorities, is itself a major stabilizing force. Member nations with balance of payments problems may draw needed currencies from the Fund. In fact, if the U. S. situation should become serious enough, it could get more than \$6 billion from the IMF rather than devaluing the dollar.

### Less dollar borrowing

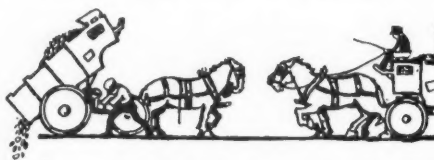
The buildup of dollar and gold holdings abroad relieves one of the important pressures on this country—the postwar demand for dollar loans. America's best customers now have ample dollars with which to buy goods made here.

This lower demand is also reflected in the operations of the IMF. During the past one and a half years, IMF has taken in some \$700 million on credits issued to members earlier. Dollar drawings in the same period totaled only \$200 million.

The dollars received by the Fund have been returned, under its rules, to the U. S. Treasury in return for interest-bearing demand notes to the Fund. In the coming year, officials say, it is expected that repayments will continue to be mostly in dollars, and that the proportion of other currencies drawn from the Fund will increase. **END**

## WHEN WE HAD TOO MUCH GOLD

(From *Nation's Business*  
November 1916)



America's gold problem has not always been one of scarcity. Abundance has raised questions, too, as reported in *NATION'S BUSINESS* 44 years ago:

"During each 24 hours of last year there has been unloaded at the sub-treasury in New York an average of three tons of pure gold. Two wagon loads, each as big as a span of draft horses could pull, have backed up to this gateway to the American Treasury and disgorged the yellow metal as a groceryman might unload his potatoes.



"Now, there is in the United States Treasury two billion dollars in gold—more than is possessed by any other four nations, two fifths of all the gold in the world.

"This condition confronts American financiers with problems that are entirely without precedent.

"One theory is that the benefits will be without stint. Then there is the theory that those nations which will need to borrow will have little gold. They would be unable to transact business and thus the United States would suffer also. Finally, there is the theory that the presence of much money in the United States will result in much buying. Europe will immediately begin to produce for this American market, but will buy little. The balance of trade will be greatly in favor in Europe, and gold will go there to square the books. Its proper distribution will work itself out."

*What happened: Revival of trade after the war, together with U. S. loans to the allies, resulted in eventual redistribution of the gold.*



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# NERVOUS TENSION STARTS AT HOME

Why do some men break down under stresses that others bear well? An expert gives answer

SOME MANAGERS go along for years, doing prodigious amounts of work and carrying enormous loads of responsibility, without ill effects to their mental or physical health.

Others, holding similar jobs, and with comparable ability and preparation, are crippled by stress diseases or nervous disorders in the prime of their careers.

Why? What makes some men vulnerable to stresses that others seem to bear with equanimity?

Dr. Gerald Gordon, chief psychiatrist of E. I. du Pont de Nemours & Company, has been seeking answers to those questions since he joined Du Pont's Medical Division 14 years ago.

He has reached some conclusions you may find helpful in improving your own capacity to live with a high-tension job.

Dr. Gordon's findings, which contradict a number of popular beliefs, can be summarized in four basic precepts:

1. A large proportion of the stress ailments that are blamed on job pressures actually originate in a man's private life, and particularly in family relationships. Many men who exercise great authority in the office go home and let their wives and children walk all over them.

2. You don't have to be a superman to survive executive responsibility. If you allow the normal adaptive mechanisms of your mind and body to function as nature intended, you should develop a tolerance for the psychological stresses

of a managerial position, just as a ditch-digger toughens his muscles for the physical rigors of his work.

3. You invite trouble when you tamper with the automatic controls built into the human nervous system, particularly when you try to repress or ignore the primeval warning signals called emotions.

4. The man who seeks false tranquility by running away from problems is far more likely to develop dangerous inner stresses than the one who works, frets and worries until a problem is solved.

The popular notion that executive work is inherently a man-killing rat race which only a few hardy souls can endure has been flatly repudiated by a careful series of studies begun by the Du Pont Medical Division several years ago and since repeated in several other leading companies. These studies show that the incidence of stress-related diseases among managers, while high enough to cause concern, is not appreciably greater than in any other segment of the population. The plain implication is that managerial jobs, although difficult and demanding, are not necessarily more stressful for the men who occupy them than are lower-level jobs for the men who occupy them.

The tolerance which most executives develop for the pressures of their jobs is evidence, Dr. Gordon says, of the human body's marvelous capacity for adapting to almost any external environment that is

not incompatible with the body's biological existence.

## How body reacts to stress

"When first exposed to any new stress, the body becomes alarmed and overreacts in a general way. This general reaction is somewhat inefficient in that all parts of the body react when they do not need to. For example, if a sedentary office worker digs a ditch over the week end, his whole body aches—not just the muscles he used wielding the shovel. If he keeps on digging ditches, however, the body will discipline itself into a state of comfortable adaptation.

"The same kind of adaptation occurs in the face of psychological stress. A man who has climbed the business ladder should have learned, by the time he becomes an executive, to live comfortably with the type of stress that accompanies responsibility. Spending \$20,000 should be no more difficult a decision for him than spending \$20 is for the janitor."

If adaptation to executive stress is a normal and natural phenomenon, why do some able and ambitious men crack up?

Following the lead of Dr. Frederick W. Dershimer, who was his predecessor as chief of Du Pont's pioneering industrial psychiatry section, Dr. Gordon believes that a misguided quest for "emotional stability" prompts some men to meddle with nature's survival mechanism. As a result, they build up dangerous internal pressures which render them incapable of coping with what would otherwise be tolerable external challenges.

"Roughly speaking, there are four basic phenomena of the nervous system which make it possible for man to adapt to and survive in an ever changing environment," Dr. Gordon explains.

"These are pain, hunger, fear and anger. Few of us attempt to will away pain and hunger, because we know we can't control them through will alone, and could not survive without the warnings they give us. But some people have arbitrarily decided that the Creator made an error by putting fear and anger into human beings, and that this error must be corrected.

"They have been convinced that emotions are a ridiculous weakness,



and that emotional upsets are to be avoided at all costs. This false notion is deeply embedded in our modern American culture, particularly among males.

"Boys are taught from an early age that crying is a sign of weakness, that fear leads inevitably to cowardice, that anger must always result in destructive conduct, that self-pity is almost a cardinal sin."

The moment you set out to repress your emotions, Dr. Gordon says, you are in for trouble.

"Emotions are an internal flowing of vital energy, not unlike an electrical current. This energy can build up to a high potential if you try to bottle it up. Ultimately, it will find an outlet.

It may dissipate its force on some target organ like the heart or stomach. Or it may be released in one spectacular blow-up, like a steam boiler when someone has tied down the safety valve."

When Dr. Gordon says it is unhealthy to repress emotions, he does not mean that you should heave an ash tray at your secretary or punch the boss in the nose whenever you have the urge to do so.

#### **Separate emotion and behavior**

"It is essential," he says, "to draw a clear distinction between emotion and behavior."

Yielding to every impulse is not the inevitable corollary of letting your emotions flow normally, as some people seem to think. Emotions are a vital part, but only one part, of the adaptive-survival mechanism that nature has given you. You also have a mind, with its faculty of reason, and the moral values and restraints which are commonly called conscience.

The function of emotions is to galvanize the mind—and, if necessary, the body—into action. It is the role of mind and conscience to insure that the action is appropriate, prudent and in accord with your moral values.

"Self-discipline is absolutely necessary," says Dr. Gordon. "The point is that it should be directed toward your behavior, which you can control, rather than toward your emotions."

One way of reducing these abstract concepts to a practical philosophy for meeting everyday stresses, Dr. Gordon says, is to think of your

mind as a computing machine, and your emotions as the electric current necessary to run it.

When you find yourself alarmed, angry, irritated, concerned, or otherwise stirred by emotion, recognize that this is not a weakness to be hidden, nor a handicap to be overcome. It is a source of strength and energy. Let it run the computer until you find an acceptable solution to the problem that upset you.

Sometimes you may not be able to identify immediately the particular problem that is agitating your emotions.

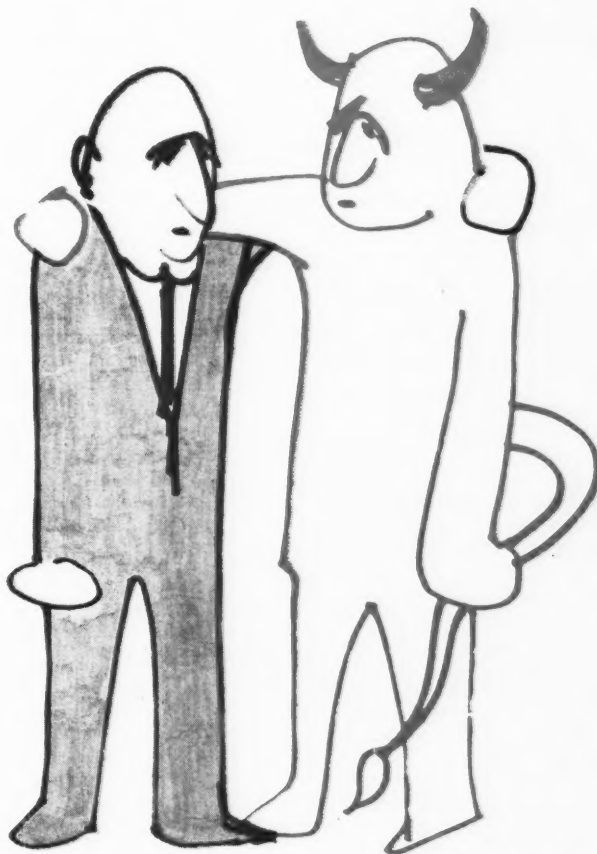
You may have only a vague sense of anxiety, insecurity, guilt or resentment, with no clear idea as to its origin. This is particularly likely to be true if you have

previously been inclined to scorn emotions, and to repress awareness of them as long as possible.

The way to deal with such elusive and frequently distressing emotions, Dr. Gordon says, is to remember that they are functionally equivalent to pain.

"When you get a cinder in your eye, it keeps hurting until you locate and remove it. The pain is nature's way of protecting your eye from prolonged irritation by a foreign body. In precisely the same way, upset emotions, by being painful, tell us to look into our lives, see what's wrong and fix it up."

In some cases, the professional aid of a psychiatrist is necessary to ferret out the hidden cause of emotional distress. But a searching



Worry can be your friend



## NERVOUS TENSION

*continued*

and honest self-examination is usually sufficient.

One question to ask yourself, and to answer candidly, is this:

"Am I meeting all of the responsibilities of my job?"

Never mind, for the moment, what the boss seems to think of your performance. It's what you think that is really important to your emotional health, according to Dr. Gordon.

"A man who is evading any of his responsibilities, who is lying down on any part of his job, usually knows in his heart that he is doing so, even though he covers it up so skillfully that his superiors and even his co-workers are completely fooled.

"The knowledge that he is running away from problems that he ought to face gives him a deep sense of insecurity, and breeds inner tensions which are far more dangerous to his health in the long run than the stresses he might encounter if he tackled his job head-on."

In this connection, Dr. Gordon notes that all business executives are subjected to constant temptation—usually by well meaning friends, relatives and associates—to flee from some of their responsibilities.

"The businessman is admonished from all sides that the pace of his

### Jitters over gold

should be kept  
in perspective.

For details,  
see page 32

life is killing him. He is threatened with such scare statements as 'your next promotion may be your last.' He is told to quit working so hard, to avoid worry at all costs, to take longer vacations.

"Many conscientious executives have been frightened by all this advice, and they find themselves in a trap. They got where they are by hard work and aggressiveness. They still have boundless energy to spend, and they find immense satisfaction in the competitive struggle that is supposed to be wrecking them. But they are afraid to continue hurling themselves into the fray."

When Dr. Gordon encounters an

executive in this frame of mind, he counsels him to quit taking his pulse and get back to work.

He also tells managers to go ahead and worry about their business—as much as necessary.

"Worry is nothing but thinking with strong emotional overtones. There are times when you ought to worry. How else are you going to solve your problems? The executive who refuses to worry about a business situation will miss out on solutions which he might find if he permitted upset emotions to motivate his quest.

"In any case, you will build up more nervous tension inside yourself by trying to ignore problems than you will by worrying them through to a solution."

This doesn't mean that you should never lay a problem aside, or take a temporary respite from worry and responsibility.

"It is necessary occasionally to withdraw for rest and recuperation. If you have accepted the problem, and your right to be concerned about it, you won't feel like you're running away from it when you put it aside for a while. Let your emotional processes function normally, and nature will tell you when you need a break—by simply suspending your capacity for worrying."

### Tensions of private life

While the business environment is the first place that managers are likely to look for hidden causes of emotional distress, Dr. Gordon strongly urges that you look at your whole life.

Long clinical experience has convinced him that many of the nervous disorders and stress diseases which are blamed on work can be traced to a man's private life, and particularly to his home. As a veteran husband and father of six children, he has some down-to-earth advice on this score.

"You owe it to your family and to yourself to be as good an executive at home as you are at work," he says. "I am not suggesting that you undertake a role of complete domination. But you have learned how to be firm, fair and forceful at the office. You should not check all of these qualities at the door when you go home. A man is supposed to be head of his household.

"Many men who exercise great authority in business go home and let their wives and children walk all over them. They encourage in their families a type of financial irresponsibility which they would never tolerate in their companies.

They don't do it because they like it. In fact, they bitterly resent it, even though they often don't acknowledge this fact to themselves, let alone speak up to their families about it.

"I've tried to figure out why a man who is strong enough to succeed in business would meekly submit to the role of henpecked husband. And I think the basic reason is the inbred fear of emotional upsets which we discussed earlier. He seeks peace at any price—and learns too late that you can't buy domestic peace, any more than international peace, with appeasement."

Dr. Gordon emphatically is not recommending wife-beating, or that you have a tantrum every time the children get on your nerves. Remember the distinction between emotion and behavior.

"If you feel free to be angry when your family misbehaves," he says, "you won't have to make a federal case of displaying your wrath. Your family will quickly sense that you are capable of emotions other than obliging acquiescence. And family discipline, which is basically your responsibility, will improve accordingly.

"It's not a question of loving your family less. Until you enter into an honest emotional relationship with them—one that allows room for a certain amount of acknowledged self-concern—you can never truly love them at all."

Dr. Gordon's prescriptions, like any others, should be taken as directed, with moderation and common sense. Any one of his suggestions, pushed to an absurd extreme, might be damaging rather than helpful.

"I hope," he says, "that no one will misconstrue my remarks to mean that people do not occasionally work too hard or need a vacation, or that every problem will have a handy solution if we just get angry enough.

"I have deliberately oversimplified some of these things because I want to startle people out of pat misconceptions.

"The important thing to remember is that there is no panacea, no sure-fire formula for every situation. You have to think, feel your way through each problem as it arises."—LOUIS CASSELS

**REPRINTS** of "Nervous Tension Starts at Home" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from *Nation's Business*, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.



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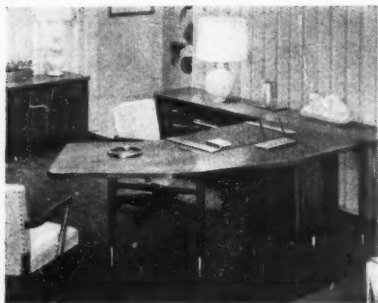
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## YOUR EGO

continued from page 34

each has certain of these qualities more strongly than others, depending on past experience and future expectations. Research has shown five types of self-image that are particularly prevalent:

**The Expert:** He regards himself as an authority whose competence comes from training, experience, and skill. Because he feels fully capable, he takes lightly advice from others, except from those whose experiences exceed his in depth and kind. Since few of these are around, he feels he's an acknowledged master in his area of specialization and tries hard to maintain this image.

The Expert's strength is that he is a source of reliable information. His weakness is that he tends to know too much about a little and too little about a lot. Extreme specialization may deprive him of an intimate understanding of peripheral problems that are affected by his expert knowledge. He's often impatient with theory and unwilling to depart from a course that his own observations and experiences strongly dictate. He often fails to delegate because he tends to feel that his skill is nontransferable.

At best he is terribly knowledgeable. At worst he is a know-it-all who really does not know at all.

**The Perfectionist:** He tries never to make a mistake and cannot stand the suggestion that he made one. His decisions are well conceived and masterfully launched, and seldom show any major error in logic. His skills lie in assembling facts and weighing them scrupulously. In this sense, he may resemble the Expert. The difference is that he cannot stand to be wrong, while the Expert cannot stand to be ignorant.

The Perfectionist is dependable. He likes to study all factors that might affect a decision, and is not reluctant to do the little jobs that others feel are below them. His administrative skill is often seen in his ability to run a neat, tight ship. He likes clean lines of authority, with each member performing well defined duties. He may insist on precise communication for both himself and his subordinates. He views an organization as a well oiled machine.

But he is upset when his well oiled machine develops noises. Typically he is overcautious, and intolerant of messy situations. He

expects his subordinates to hold the same image of perfection that he does. Precision is to him more important than consideration.

Because his high standards are not easily attainable, his pride and self-esteem are often offended. When a subordinate proudly reported to such a man a major creative breakthrough to a long-standing problem, he was criticized because of several grammatical errors in his report.

At best this type is magnificently efficient. At worst he is a meticulous tyrant.

**The Gentleman:** While the Expert and the Perfectionist are working executives, this type excels at delegating almost all aspects of his job. He values himself highly but as a proper and morally correct individual. He knows the rules of the game and is perfect in living up to these rules. He is polite, stable, considerate and, even though he may lash out, he never fails to address a subordinate with the dignity that goes with office. He is often cold, aloof, and austere, and it is difficult for him to show affection. In short, he is firm but fair.

The Gentleman's strength lies in his stability. He never disparages character or participates in rumors, and is respected because he never becomes personally involved with others. He will consult with others not simply when he believes a better decision will result but when this is the polite thing to do.

His weakness is that he sacrifices too much to the altar of holiness. He is too inhibited and restrained to deal with those who would cause dissension. At best he raises the moral climate. At worst he is a moral snob.

**The Social Type:** He sees himself as friendly and well liked. In turn, he likes others to the point of assuming an aggressive interest in their welfare. He is able to mix easily with strangers and is seldom without companions.

His strength is found in his ability to create group conditions that allow high morale among the group's members.

He is solidly a team man. He may lack the specialized mastery of the Expert, the correctness of the Perfectionist and the moral righteousness of the Gentleman, but he is able to mold experts, perfectionists and gentlemen into an effective unit.

His weakness is that he has little to offer apart from the group. He lacks creative ideas and strong be-



liefs. He seldom takes a stand without knowledge of where his group stands. In a crisis he may become shift and uncertain. Because he cannot make quick decisions, he often fails to get his decisions in on time. This tends to detract from the high morale typically felt by his group. At best he is a motivator and a peacemaker. At worst he is a princely politician.

**The Tough Type:** He regards himself as the master of his own fate. He places great emphasis on will power and self-direction. He relies little on superior power figures and tends not to consult others and to build a distant relationship to his people. He feels he knows where he is going and how to get there. His strength comes not from good ideas, habits, or conduct, but from strong will power. For this reason, he tends to despise the Social Type and to view the Perfectionist as neurotic.

He pits himself against difficult problems because, in this manner, he realizes his total abilities and strengths. He is a man of action who will move ahead even when he does not have the support he needs. He is uncompromising and stern, and never without something to do.

His weakness is that, in his rush to get the show on the road, he may leave half the troupe behind. He easily offends others and lacks the Gentleman's grace under pressure. He is harsh even on those he loves, because in this way he feels he will build strong character in them. He has a capacity at times to be splendidly wicked.

While each of the other types feels threatened when he is found to be respectively ignorant, erring, improper, or unpopular, the Tough Type feels threatened when made to feel weak.

#### **How each contributes**

Every organization has individuals who entertain these several notions of their self-importance. The reason is that these five types are needed to run an organization. An organization cannot do without expert skill of some kind, strong efficiency controls, stable, moral, responsible individuals, effective team play and strong men of action. When blended together properly these executives complement each other to provide maximum organizational efficiency.

The maturity of an organization is tested by the extent to which all types of personalities are provided ample opportunity to enhance their feelings of self-importance. The man

of action needs to be checked by the thoughtful deliberations of the Perfectionist; the Social Type needs the Expert in his group so that his decisions will not be the result of pooling empty minds.

Just as it is a healthy organization that can assemble a variety of human talent, so is it a mature ego that can enjoy a wide range of conflicting differences among people. It is not the absence of conflict that makes for a healthy individual or company, but whether that conflict contributes to the common good.

The inescapable fact is that the inner man cannot be ignored without tremendous cost to the organization. Whatever the executive's self-image, it exerts heavy claims upon him to live up to it. The Expert, for example, must always be more competent than others.

This causes tremendous amounts

of energy to be flung upon objects and goals in the organization.

The ideal is to direct executive energy into channels that efficiently serve organizational goals. This requires that jobs be found that will appeal to the executive's notions of self-worth. If ample opportunities are not found, executive energy will be diverted solely toward self-defined ends.

This condition leads to self-centered behavior, by which executives fight to preserve their mental picture of themselves rather than the good of the company.

The image that the self-centered executive entertains of himself obscures the purpose for which he stands in the company. Others come to know of him as one who seeks special consideration for selfish purposes. Thus, the executive demands attention simply because he is an expert and not because his ability

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### **Put speed in your selling**

New developments are taking place in the important field of sales communication. This up-to-the-minute report will give you useful ideas for making salesmen more effective.

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A prominent banker tells what forces will cause America's next major economic advance. His forecast, first of a number written for NATION'S BUSINESS by leading executives, will help you plan.

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## YOUR EGO

*continued*

is needed or useful to others. His fault is that he wants so desperately to have his presence felt that he directs all of his energy to this end.

Instead of mastering his self-image, his self-image masters him. The inevitable result is a life of hardship, tense striving, unhappiness and failure.

### How to control it

What must businessmen do to avoid these destructive self-centered tendencies and still express their feelings of self-importance?

The key is found in the ability to understand and detect self-centered behavior in oneself and others. Once a man becomes too self-centered, the problem is almost impossible to deal with. The best thing is to stop stirrings of self-centeredness before they begin.

Self-centeredness sets in when the individual's security is threatened, his accomplishments are depreciated, or his opportunities to grow are shut off.

A number of possible conditions may arise. One of the most prominent is tunnel vision. Under threat, executives repress confusing and conflicting points of view. They see only what appeals to their ego. Thus, the Expert may overemphasize experience gained from the school of hard knocks; the Perfectionist may become obsessed with truth and honesty; the Gentleman, on titles and propriety; the Social Type, on group deliberations; the Tough Type, on self-discipline and control.

Or the tendency may be to see only opposite qualities that are perceived as threatening. Thus, the Expert is quick to point out the novice in each of us; the Perfectionist constantly seeks out our mistakes; the Gentleman is quick to condemn and the Tough Type preys upon our feelings of inadequacy.

As executives become self-centered, a claiming race usually starts. Such an exercise is found in the tendency of managers to make demands upon each other before the expenditure of any effort. In fact, often no effort is spent.

One such executive felt entitled to have everybody help him in a crisis and was offended if help was not immediately and gladly given, no matter whether others were in a position to give it or not. He felt no commitment to help others because no one else had quite his problems.

Here the executive's needs become claims which require no effort on his part. He may claim that he should be given more prestige, a better position, a salary increase without having done anything special to merit it.

Claim-making becomes extreme when an executive feels that others should acknowledge his importance even though he does not request or show evidence of this need.

Face-saving is also a characteristic of the self-centered executive.

"It is the privilege and the right, or duty, of any citizen who is interested in legislation to ex-



press his views." says **Chairman Howard Smith of the House Rules Committee**. He tells how his panel helps you in an interview starting on **page 36**

Face-saving is preserving one's self-esteem, dignity, and importance even though it means forfeiting favorable opportunities. It is a strictly shortsighted view in which the need to feel important today is served without thought as to what might develop in the future. Preoccupation with face is illustrated by the executive who accepted a better title even though the new position amounted to a shelf upon which he would rest the remainder of his career. The Expert might plead for credit even though he was out-experted, and the Toughy might seek consolation by pleading that it is not whether he won, but how hard he fought that really counts.

Probably the most wasteful effort is found in the self-centered tendency to become unproductively pos-

sessive. This is illustrated by the case of one executive's private toilet. This executive went on vacation. While he was away it was necessary to move into his office a young auditor from company headquarters. When the executive returned he saw the auditor using his office and equipment in ways that upset him. He felt particularly upset because the younger man had used his private toilet. The root of the feeling was that this young auditor had not yet come to deserve the use of a private toilet and was trespassing on the executive's sense of accomplishment. A toilet represented his success.

The Perfectionist has been known to spend hours keeping his desk tidy. A consultant once lost an account because he put his briefcase on his client's impeccably polished desk.

Actually, all of us have some pretensions about how important we are. This is to some degree healthy because it keeps us reaching. But it becomes bad when we take our pretensions too seriously. This forces us to consume vast amounts of energy to justify what really did not happen.

One practical suggestion to keep self-centered tendencies in check is found in the ancient Greek command, "Know Thyself." A periodic self-examination favors health and continued productive effort.

The executive should know that each of us has phases which we do not want to acknowledge and shortcomings which we repress rather than admit. No one is as adequate as he might be. Everyone has feelings of inadequacy which might evaporate if he were to confront himself freely.

Self-examination also helps to rid us of ego-wishes that might be entertained in the attempt to make sure that we are as important as we truly want to be.

All executives, big or small, must occasionally ask, "Am I really the man to be reckoned with that I think I am?"

This is a tough question for most people. Nevertheless, it is essential to know where you are before you can know where to go. Once you set your sights, you then must assert yourself totally.

Whatever image you have, be true to it. Some move ahead because they know who they are or wish to become. They have the knack of looking at themselves as frankly as they look at others. They will not take a back seat to others when their successes do not



merit secondary attention. It is false humility for an executive to be modest about accomplishments that are truly great. If he does not place a high value upon himself, no one else will. As a matter of fact, he who values himself highly will not be taken lightly. And to be taken lightly is the greatest executive sin.

The facts of business life show that executives must occupy men's minds if they are not to be ignored, avoided, or run over. Men who manage our vast corporate structures achieve in others a sense of their presence and evolve from this position the art of their command.

This ideal is illustrated by the executive who commands attention, not because of what he says, but because what he says is said with total affirmation of personality.

The key factor is that he actively works and stands for the good of his organization. Few things will deter men from becoming self-centered more than an executive who is dedicated to serving their common interests.

This executive believes in some idea, program, or purpose greater than himself, but which is totally backstopped by his ego. His feelings of pride, self-esteem, and importance are committed to and fulfilled in his program.

All of which gives him the energy and endurance to see things through to their ultimate consequences in spite of opposition.

When this executive walks into a conference or meeting, people know that he is the man they must deal with.

No man is quite as strong as he whose self-image is totally affirmed by the program for which he stands. His very presence forces others to ask themselves, "Do I believe in myself as much as he obviously believes in himself?" It is in moments of truth like this that one is likely to discover the commanding presence of another.

This vital executive quality is achieved because the executive has a strong, demanding self-image that finds productive expression in the service of his company. He feels important because others consider his expertise, efficiency, integrity, team play, or determination important to them. **END**

**REPRINTS** of "Put Your Ego to Work" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance with order.



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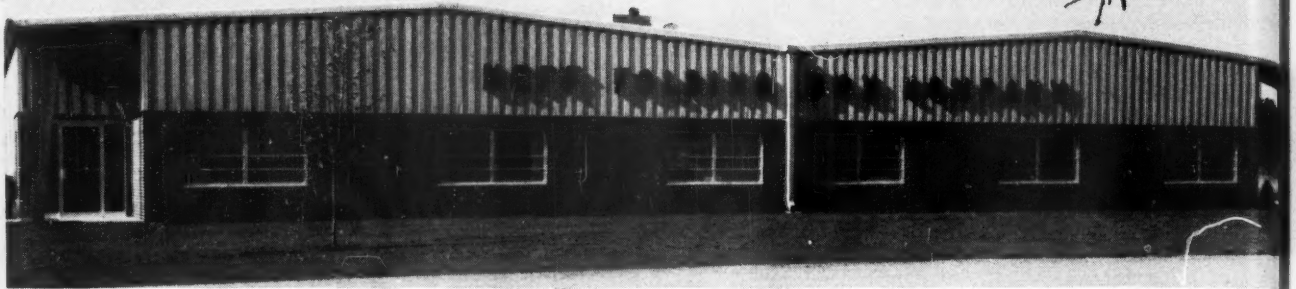
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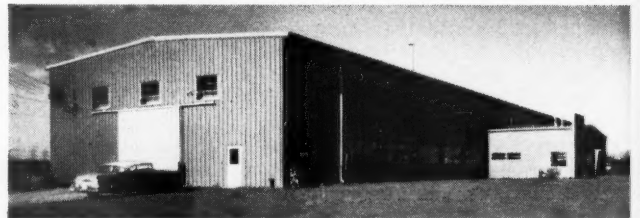
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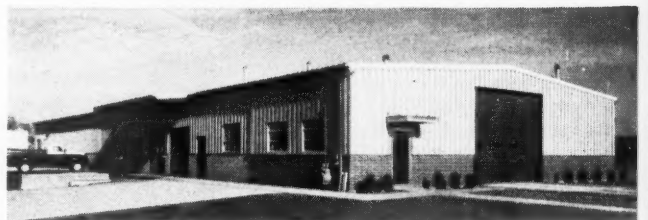
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## SPECIAL LETTER

### NATION'S BUSINESS EDITORS REPORT ON: finding men

JOBLESS TREND HIDES other problems of importance to business.

1. There's persistent shortage of qualified men to fill jobs that go begging even in areas with higher-than-average unemployment.

2. Wage costs keep climbing despite sluggish job market.

This is special report on what to expect during years ahead.

\* \* \*

HERE'S COMING SHIFT to think about: During 1950's there was an increase of 1.6 million in number of men age 30 to 40. During 1960's there will be a decline of nearly 700,000 in this age group.

That's downward shift of 2.2 million.

Keep this in mind if you expect your business to grow rapidly during years ahead. It means you can count on increasing difficulty in finding good men for management jobs--foremen, supervisors, middle managers.

And you'll have to pay them premium wages.

\* \* \*

OTHER AGE GROUPS will shift, too: During 1950's there was decline in number of men ages 20 to 30. During 10 years ahead there'll be increase of nearly 4.5 million. This will be upward shift of nearly five million.

What this means for America as a whole is that unemployment is likely to rise for men up to age 30--especially for those who fail to acquire needed job skills.

What it'll mean to you as employer is that there'll be plenty of young men to pick from--young men just starting careers. You can be selective, weed out poor prospects, put good men on your payroll.

\* \* \*

TOTAL LABOR FORCE will grow faster in years to come. For past decade labor force growth has averaged 1½ per cent a year. Decade ahead will see growth averaging about two per cent a year. This hints faster economic growth



## SPECIAL LETTER: FINDING MEN

will be possible. Hints, too, what wage trends may be coming. To see better what's ahead, how wages will be affected, look at these figures: Natural labor force growth has averaged about 800,000 a year. Natural growth means number of people growing up, needing jobs.

But actual labor force growth averages closer to a million--partly because of rising number of jobs held by older people, especially older women who wouldn't have sought work if job opportunities had been fewer.

Because workers were needed, wages were bid up.

In decade ahead U. S. could get average 1.5 million natural increase a year. But, depending on availability of jobs, actual increase may turn out to be somewhat less. Some older people won't be seeking work. Many young people will stay in school longer. Average number of new people in work force may be around 1.3 million a year instead of 1.5 million.

It's because of this expected trend that pressure on wages may not be upward with such force during years ahead as in years just past

\* \* \*

NEAR-TERM WAGE OUTLOOK: Pay scales are expected to rise in '61 despite business uncertainties. Upward pressure will come mostly from deferred increases previously promised 2.5 million employees under long-term pacts.

These will average about eight cents an hour--slightly less in manufacturing, slightly more in other industries.

Wage boosts last year averaged nearly 10 cents an hour. But not all unions won increases. Some will try again to win pay hikes in '61.

Key bargaining is coming in these industries: Trucking (starting this month), rubber industry (spring), East Coast shipping (next summer), autos and railroads (next fall).

\* \* \*

TEAMSTER BOSS James Hoffa is man to watch. He could hand White House first labor crisis. Trucking contracts covering 200,000 drivers in 25 central and southeastern states expire at end of this month. Others later.

Five thousand trucking employers view Teamster demands as excessive.

What Boss Hoffa is really shooting at: Jan. 31, 1964, expiration date for all trucking contracts. Then he could shut down entire trucking industry--force U. S. to its knees. After that, he hopes to form alliance of all transportation unions.





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LAST OF FOUR ARTICLES

# WHAT IT TAKES TO BUILD LEADERS

Here are tips on how new breed of risk-takers can be developed

WE HEAR often that ours is an age without heroes and business is without leaders.

The towering personalities of the past seem, to some, to have considerably more specific gravity than their successors of today.

This indictment, while containing some truth—more, in fact than should leave us feeling comfortable—overlooks the fact that there are still some rugged individualists on the business stage; more than a handful of flamboyant entrepreneurs and, throughout the ranks of business, aggressive, assertive individuals who openly or secretly hunger for leadership roles.

Nonetheless, the charge that we have allowed leadership to lapse as a necessary executive art deserves close examination. In too many companies the careful man has replaced the tycoon who was willing, in an earlier time, to take uncommon risks by boldly seizing initiative. Decision-making has become diffused, decentralized, impersonal in many organizations.

Why this has happened is, to some extent, an inevitable result of social and economic change. The unrestrained, owner-managed enterprises of the late Nineteenth and early Twentieth Century are no

more. Ownership of our largest and even many of our smallest organizations is today dispersed, and direction flows not from an ownership caste but from cadres of professional managers who are responsible to boards of directors, to government regulators, to organized workers and to a fickle consuming public. Organizations, too, are by their very nature more complex today than they used to be.

More bases have to be touched by today's managers—more points of control and reference and imponderability. The manager's path of action is not so clear-cut now as it once was.

But more important than why the climate of leadership has changed is the fact that today's business organization, and tomorrow's, will require a new breed of restless men with imagination—men perhaps not cut from the same cloth as the old titans but nonetheless ready and able to break free of conventional procedure and move into untried fields.

The problem, therefore, is: How can business encourage its managers and managerial aspirants to assume a more vigorous leadership role?

To solve this basic problem, busi-

ness must answer three difficult questions:

- What is leadership?
- What is hampering its emergence?
- How can leadership be developed and encouraged?

## Leadership

The term "leadership" is indiscriminately applied to such varied activities as playground supervisor, committee chairman, club president, business executive, and politician.

Furthermore, research has produced such a variegated list of traits presumably to describe leadership that, for all practical purposes, it describes nothing. Fifty years of study have failed to produce one personality trait or set of qualities that can be used to discriminate between leaders and nonleaders.

This failure to identify leadership traits in individuals has led us to look elsewhere for the keys to leadership. If a person does not become a leader because he possesses a particular pattern of personality characteristics, maybe he becomes a leader because of something outside of him; that is, the situation determines which men will rise, or be chosen, to leadership.

The transfer from the personality



to the situation has altered our whole approach to leadership. The situational approach appealed to our ideal of democracy, our belief in the impact of the environment on the individual and our need to do something quickly about our shortage of leaders. Because it denied that leaders are born and affirmed that leaders are made, this approach stimulated a deluge of executive training and leadership development programs.

No doubt leaders often need propitious moments to rise. Without such occasions, they might remain unknown. In this sense, the situation is indeed influential. But it need not be determining.

First, aggressive action can sometimes overcome a difficult situation; second, initiative often helps determine what the situation actually is. The individual manager can never know the exact situation unless he pits himself vigorously against it. It is in striving to overcome adversity that he finds his full capacity for leadership. This is a fact too often forgotten today.

Admittedly, great events in history are always a marriage between the man and the circumstances, but what is crucial is which predominates. The fact is that the situation holds within it the distinct possibility of several different leaders rising to power.

The "right man for the right situ-

ation" is a subtle but lethal kind of fatalistic thinking that must not be cultivated if business is to maintain its necessarily dynamic and creative nature.

Where modern measurement fails to define leadership, history offers some suggestions. Plato, for example, conceived his ideal society as having three occupational classes—workers and slaves, guardians, and philosophers. In this society the king would draw up the plans and the philosophers would carry them out with the aid of the civil service and military officers comprising the guardian class.

Here we have a specific distinction between leadership and execution. Leadership determines the over-all plan and infuses the system with a character and direction that could not come by keeping close to the day-to-day stream of problems.

Hence the leader is a beginner of plans carried out by an executive. Machiavelli, Carlyle, Nietzsche, William James, Woodrow Wilson, John Dewey, Lenin, Franklin D. Roosevelt and Churchill all made similar distinctions. Few who have given thought to this distinction have failed to find merit in it.

The leader's role is initiating, beginning. It is born of imagination and a sense of mission. It involves great personal risk.

The executive may bring about changes, too, but they are of the

type warranted by the situation and appropriate to the organization. He operates more in terms of active needs that can be handled by immediate supervision. Consequently, he does not substantially change the character or direction of his organization.

Although both types are needed, few leaders make good executives and few executives make good leaders. It is the rare man who excels at both.

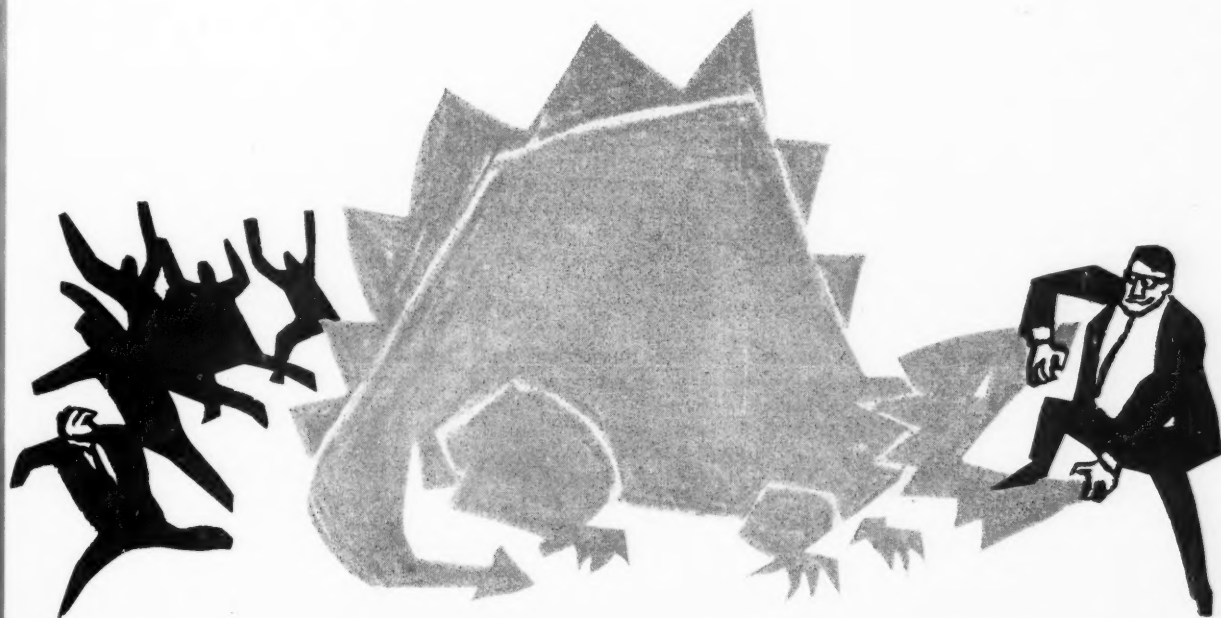
#### **Obstacles to leadership**

If, in today's society, we are replacing dynamic men with efficient men, the next question is: What causes this imbalance?

Of course, each organization has its own unique reasons, but other reasons that are just as important reflect changing patterns in our total society.

**Risk:** The over-all reason today is the general tendency to eliminate risk. This tendency is evident in the growth of bureaucracy, which assigns to each individual his functions, the area of his authority and the standards of proficiency. If any sort of decision is assigned to him or demanded of him, it is taken within his limited province without his having to probe to the bottom of things. Duties and regulations are laid down to avoid risk.

Great amounts of initiative are not possible or the whole system



In striving to overcome adversity you find your capacity for leadership



## BUILD LEADERS

*continued*

would collapse. No one person can really "begin." The bureaucrat is enmeshed at all times in an intricate set of relationships that prohibit his seizing the helm and steering a course of his own choosing.

Hence, the disappearance of risk-assumption and initiation—the essence of leadership. Individuals today must be encouraged to find creative opportunities in their organizations.

**Groups:** The need or desire to avoid initiative and risk is also illustrated by the growing technique of placing responsibility for major changes in the hands of groups.

The leader's function becomes merely to provide effective conditions for the group to assume responsibility. Personality as a major source of the leader's influence is for the most part omitted.

When attention is centered on the group's needs, problems, tasks, membership, and other circumstances, any individual acquires influence only to the degree that he is compatible with the group's latent or established needs.

Consequently, any change in the character and direction of the group cannot be ascribed to the influence of any one individual.

One company president says that the executive today might well consider himself a kind of midwife who at the right moment helps give birth to an event or idea that is largely the product of a number of prior activities. Another president states that the chief executive today knows better than to believe that he personally runs his corporation; rather, many individuals and groups comprise the broad basis whereby the over-all direction and character are provided.

Finally, the president of one of the country's ten largest corporations recently said that the responsible group has replaced the responsible individual and to the extent that this has occurred the corporation's welfare is that much more assured.

Our past ten years' experience with committees in business, government, education and community organizations indicates that the group is generally more conservative than the individual and the executive tends to become less radical when he relies upon the group.

The executive assumes more individual responsibility for the minor innovations with the thought that

many minor innovations will give more heroic stature than one major change.

In effect, the tactic is to become cumulatively heroic through acts that are so integrated as to compound themselves.

Major changes start unknown forces that gather a momentum of their own and smash through to results sometimes unwanted.

**Privacy:** A third tendency which discourages leadership today is the annihilation of privacy. Leadership requires an ability to imagine the effects of action now in progress and to devise means that will control the future.

In this sense, leadership might well be viewed as imagination in command. Unfortunately, few men can rise to imaginative heights without previous thought.

But who is doing the required thinking? Telephone any executive during working hours and you will probably be told that he is "in a meeting." Our society has always been predominately one geared for action, but lately what little time

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"... the goods produced during the 1960's must be goods which consumers and industry want and are able to buy."

For clues to what these goods will be, turn back to page 38 and read "A New Look at the Sizzling Sixties"

---

has existed for creative thought has been largely sacrificed to meetings where thinking is tailored to specific problems. We cannot constantly invade another's privacy if we expect to encourage development of uncommon men and uncommon ideas.

**Maturity:** A subtle problem that hampers leadership is the necessity to be totally present but not conspicuous. In effect, this means that the executive must never become emotionally involved. Hence, the mark of maturity is that he never loses his poise and equanimity.

This mature individual is supposedly calm but engaging, argumentative at times but not disagreeable, alert but not too aggressive. This type approaches people easily but also he is able to move out quickly when he gets involved. He has the skill to work problems through to an acceptable solution,

but in those cases he is generally engaged in calming disturbances and restoring equilibrium.

This image of maturity tends to stifle dynamic leadership. The leader is a man with a mission to which he is totally and irrevocably committed.

However, it is difficult to have a deep and disturbing sense of purpose when one is so specialized and boxed in by formulas that one cannot see what is ahead and behind.

If the leader is to be encouraged, changes along these and other lines will have to be considered.

But a fourth question must be asked before changes are made:

"Do we really want leaders?"

### Encouraging leadership

In the first place, leaders do not automatically come forth simply because a need for them exists.

Second, building a more favorable environment for leadership is not a guarantee; it can serve only as a necessary but insufficient element. Then, if leadership does appear, it may not be what was first felt to be needed or envisioned.

The leader is always something of a surprise and his prescriptions often are difficult to fill. This is the risk that a society or organization must always assume.

Genuine change and progress are seldom painless. Leadership is not a social kind of tranquilizer, although this is what many today expect from it. On the contrary, leadership in its essential genius is usually disturbing and upsetting and makes heavy demands upon individuals and groups. The willingness to make sacrifices is the condition of merit that justifies seeking out leaders.

What can a company and an individual do to improve the odds that good leaders will emerge?

Clearly, the organization can and should do certain things to create an atmosphere conducive to the development of men with the leader's skill of innovating, upsetting, reforming, turning an organization about.

Since committees and committee meetings take up so much of the time of today's average executive—and encourage him to transfer responsibility and initiative from himself to a more or less invulnerable "many"—it should be the first order of a business to limit conferences and meetings where possible.

Conferences should be held only when the problems they are designed to solve simply cannot be handled by a single individual. Too



many managers push the panic button and call a conference when a problem arises. Were they restrained from this, they would soon find that the problem had no need of group solution, but could be handled adequately by their personal action. Executives must, if necessary, be forced to turn to their own inner resources before they can develop the qualities that truly entitle them to the name "leader."

Another step a company can take is to provide its promising men with opportunities for developing their intellectual capacity to the fullest. Thought is essential to the preparation of leadership and thought cannot survive in the constant hurly-burly of conferences, business trips, telephone conversations, writing of reports and excessive expenditure of an executive's off hours in a variety of community and charitable activities.

One way to aid an executive in enlarging his capacity for thought is to allow him time off for this purpose. Some companies send their able men to places of study, to cultural centers offering programs of reading, discussion, and meditation. Much more of this kind of action will be necessary in the future if managers are to develop a true sense of self, of inner strength, wisdom, and of high purpose.

The executive himself should carefully assess his own work habits. How much of his day is spent on truly essential matters? How much time is he allowing himself for thinking and planning? How many things is he passing on to groups or committees that he could handle alone?

In the end, the true leader will emerge only under his own power. Until he acts to free himself from the feeling of powerlessness and dependence, he cannot expect to attain the mark of true leadership.

The successful business leader of the future will gradually and diligently develop the necessary values, courage, and self-control by which he can successfully become identified with, but not absorbed by, his organization. When he emerges, both he and his organization will benefit from his boldness.

—EUGENE EMERSON JENNINGS

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# RIGHTS TO YOUR IDEAS IN DANGER

Patents of business face a stiff attack  
by forces in the Eighty-seventh Congress

**YOUR COMPANY** is in danger of losing its patents.

Powerful forces in Congress are demanding law changes that would require government seizure of all rights to anything resulting from research or development work financed by federal funds.

This push raises a long-range threat to the traditional American assumption that an inventor has a natural right to benefit from his ideas.

"I suspect that proponents of bills which would give the government even greater powers in obtaining exclusive right and title to inventions made in its contract areas are the same people who feel that the country could do without the patent system altogether," says Dr. Carl E. Barnes, vice president of research of Minnesota Mining & Manufacturing Company, and an inventor himself.

Since the government finances about half the research and development work in the country today, it would eventually gain title to about half the new patents produced, if the present move were successful. Then, defenders of the patent system fear, those who want to junk the system would argue that it was unfair to allow other private inventors to gain title to their discoveries. Pressure would grow for federal ownership of all patents—new or outstanding—in the name of fairness. Instead of money, inventors might get a medal, or honorable mention in the *Congressional Record* as their reward.

Some of this argument already has been presented in hearings before a Senate Small Business Subcommittee on Federal Patent Policies.

Seymour Melman, associate professor of industrial and management engineering at Columbia University, testified that new discoveries should be in the public domain. If any property right

should exist, he continued, it should be held "in an institutional framework that represents not a particular section, but society as a whole. The federal government can function as such an agency."

Subcommittee Chairman Russell B. Long, Louisiana Democrat, commented: "If I understand you correctly, you believe the idea would be not to have a patent system." Senator Long is one of the most active backers of the proposal for government ownership of all discoveries by its contractors, but disavows any intent to eliminate patents.

## Added support expected

The government-ownership move won important support during the congressional recess. The Subcommittee on Defense Procurement of the Joint Economic Committee issued a report which stated:

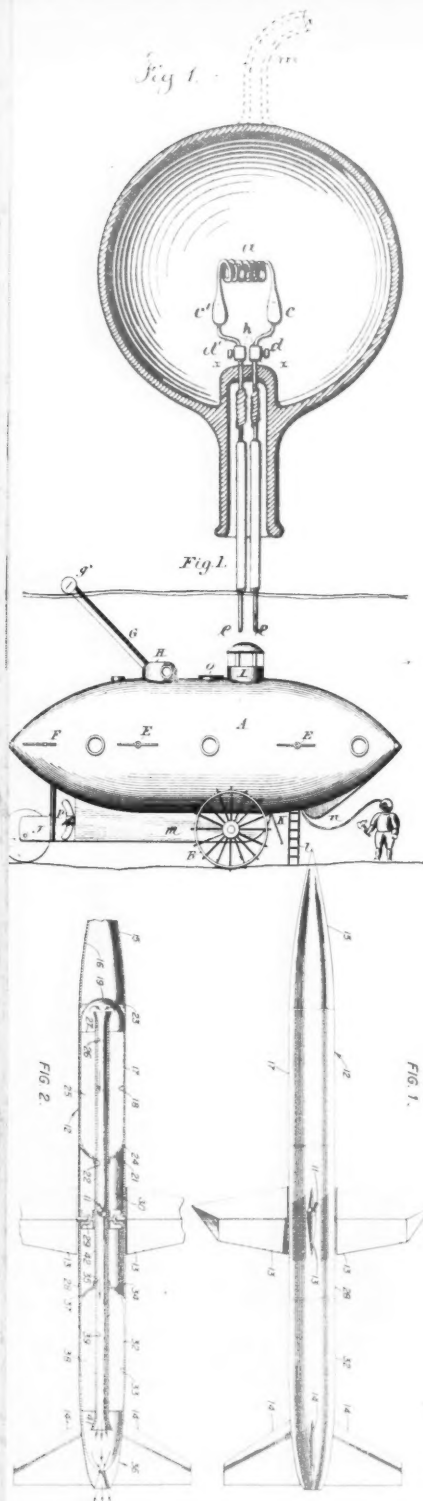
"One of the difficulties with negotiated contracting, particularly the cost-reimbursement type and with research and development work at government expense, is that the know-how which is paid for by the taxpayer and which should be public domain for the benefit of everyone and under the government's control, is actually controlled by the contractor.

"Obviously, public domain in one form or another belongs to all the people. A uniform patent policy recognizing these points should be developed which will be controlling on all government agencies."

Additional pressure to change patent policies is expected to develop in Congress this year.

Federal funds now pay for about \$8 billion a year of research and development work. The argument that the government should have all rights to the resulting discoveries seems plausible. But it ignores many facts:

- Many inventions, although completed under government contract,



**HISTORIC INVENTIONS**, ranging from the first electric light and submarine to the missiles of today, would be government property under new proposals. Drawings are from original Patent Office registrations



result from many years of preparatory research.

- Government use, without payment of royalty, is obtained through a nonexclusive, irrevocable license, while allowing the inventor to control commercial development.

- Patents owned by the government are not used. Uncle Sam is in no position to exploit commercial inventions and could not do so without weakening the competitive enterprise system. For its part, business is naturally reluctant to spend the money necessary to develop a product which a competitor would be equally free to produce if the government held the patent.

Some advocates of government patent ownership are mulling the British approach. Inventions with commercial possibilities that result from most British government financed research and development are taken over "when the public interest so requires" by the National Research Development Corporation. This institution is charged with developing and exploiting such inventions. It licenses companies, or combinations of companies, to develop and produce the discoveries, with the government taking a royalty. In time, it's assumed this return will help recoup government expenses.

Asked by Senator Long about this approach, Prof. Daniel Hamberg of the University of Maryland replied:

"I think that sweetens a bad system, and nothing more."

Critics of this idea contend, however, that instead of sweetening the system, it would be another step toward its destruction. They cite these reasons:

The government would be in direct competition with industry if it developed and exploited patents.

Costs of administering the organization set up for that purpose would have to be paid either from tax funds, or from royalties collected on the patents.

In any event, the royalties demanded by the government would have to be paid by buyers of the products. The argument that the taxpayers would benefit from the royalties fails to take this into account.

The patent-handling organization would inevitably put pressure on other government agencies to obtain as many patent rights as possible for it to handle.

In the U. S. government, the Atomic Energy Commission and the National Aeronautics and Space Administration are required by law to take patent rights to practically all inventions resulting from their research and development contracts. The Defense Department, free of such a restriction, has found it gets better cooperation from contractors while still protecting the government's interest by obtaining a royalty-free license to use such inventions but permitting the inventor to retain title to them.

The space agency's attempt to get the law altered to allow it generally the same flexibility as the Defense Department sparked much of the current discussion of the patent system. The House voted the change, but the Senate refused to take it up. Instead, Senator Long and others argued that the Defense Department and all other government agencies should be brought into line with NASA and the AEC.

#### **Basis of laws**

U. S. patent laws are based on Article 1, Section 8, Clause 8, of the Constitution, which provides that Congress shall have power "to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive rights to their respective writings and discoveries."

Patents on new processes, machines, manufactures, materials, or new plants run for 17 years. An ornamental design for a manufactured article may be patented for three and a half, seven, or 14 years. Either type of patent may be renewed under certain circumstances. During the life of a patent, the inventor can use his discovery himself or license its use by others and collect royalties from them.

Many things we regard as necessities today have been developed under this system. Among them: Alexander Graham Bell's telephone, the Wright brothers' airplane, Thomas A. Edison's light bulb and phonograph. Most people think of Mr. Edison, for example, as a born inventor, who would have made discovery after discovery regardless of whether he would profit from it. But his spark of genius easily could have been extinguished by the necessity of holding down a regular job if royalties on his early

inventions had not provided money on which he could live and build the facilities to make further discoveries.

Critics of the patent system contend that the climate of invention has changed so much since Thomas Edison's time that the present setup is outdated. Discoveries now are made by teams of scientists and technicians working in elaborate laboratories, they claim, rather than by an individual tinkering in a basement shop. National honor is a more fitting reward for today's inventor than patent rights, the argument goes.

But Maurice A. Crews, assistant commissioner of patents for the Department of Commerce, cites a recent study which showed that 60 per cent of the most important discoveries come from independent persons or from small organizations. The ratio of patent applications filed by independent or small organization inventors has remained at about 40 per cent over the past couple of decades.

The Patent, Trademark, and Copyright Foundation of The George Washington University found, in a survey of inventors, that the main thing which keeps them from developing an invention with defense possibilities is the belief that the financial rewards are smaller than in nondefense work. Financial returns for themselves or their employer were listed by more than 40 per cent of the inventors as the chief reward sought in return for a discovery. Satisfaction of accomplishment was listed by only nine per cent, and benefits to country and society—the motive often mentioned in Congress—by only seven per cent.

The Foundation, a nonpartisan research organization financed by individual and business memberships, has been conducting a study of government patent policies for the federal executive departments. L. James Harris, executive director, says the study presents a factual analysis of the strong and weak points in the patent system.

Since it is unlikely to spark drastic changes, however, the report probably won't please some congressmen. A more critical survey of the patent field is being made by a Senate Judiciary subcommittee.

**END**





# CUT THE RISKS IN DECISIONS

Recognition of these five common errors in judgment will help you to avoid them

MOST BUSINESSMEN have an intuitive ability to make the right decision in a risk-taking situation, but often they don't do it.

Researchers who undertook to find out why now believe that they have some answers. To determine if their findings apply to your company or your subordinates, ask yourself these questions:

Are we going after big long-shot gains and bypassing opportunities that would mean more progress in the end?

Are we reaching for glamorous unknowns while overlooking tried and proven ideas, people or products?

Are we taking undue risks on some things simply because we're discouraged about them?

Have some of our executives started playing hunches and making offhand decisions?

Are we giving less care to real projects where important amounts are at stake than we would apply in the planning stages?

These questions point to some common mistakes in weighing business probabilities and deciding on a course of action.

The findings have come piecemeal from many sources. During the past 15 years, mathematicians have been called on more and more to help solve specific risk-taking problems that were plaguing businessmen. Year by year, attempts to develop decision theory into a genuine new science have gone on—aiming for greater precision in choosing a course from among uncertain alternatives.

Specialists could often tell at a glance that the organization had been ignoring the most obvious odds in choosing its course. But, more surprising was the fact that executives seldom were able to explain their own past decisions. They had made mistakes which later seemed incomprehensible to them.

Psychologists who specialize in industrial problems decided that these mistakes might provide a

clue to the sixth sense which some men seem to have for making the risk-taking decisions entailed in running a company. They reasoned that, if tests could be devised to learn more about human failure in assessing business odds, there would even be hope that men might later be taught how to improve their risk-taking judgment.

Working separately, often with no knowledge that others were investigating the same subject, psychologists at the University of Pennsylvania, Johns Hopkins, Harvard and the Massachusetts Institute of Technology set up experiments to answer these questions:

How do psychological factors affect an individual's judgment of the odds he faces in a business decision?

Is there a regular pattern—a repeated relationship between the true probabilities and the psychologically distorted ones?

Do more highly trained persons have greater immunity to risk-taking errors?

Many of those tested were men with years of business experience. Others were students of industrial management. All were deeply interested in the tests and determined to outdo their colleagues in making good choices.

At the University of Pennsylvania, Professors Malcolm G. Preston and Philip Baratta first used a combination of cards and dice to study how skilled executives and statisticians reacted to various combinations of risk and reward in comparison with the behavior of relatively naïve subjects, such as undergraduate students. They concluded, in astonishment, that greater training and sophistication in decision-making had no measurable effect on risk-taking wisdom under pressure.

A more elaborate project followed. It was a joint effort headed by Johns Hopkins Professor Ward Edwards in cooperation with the Naval Research



Laboratory and Harvard University's Laboratory of Social Relations.

A pinball machine was rigged with hidden electromagnets making sure the ball fell an equal number of times into each of eight numbered compartments. Those taking the test were offered a number of choices promising different proportions of risk to reward. They could select a single number which would yield a big prize, or several numbers with proportionately smaller reward.

Sometimes the persons tested were warned that they were bound to lose; their only hope was to minimize losses.

In this experiment, those tested were using their own money.

Nevertheless, concluded Dr. Edwards, "People in risk situations do not make choices in such a way as to maximize their expected winnings or minimize their expected losses . . . although these are their goals."

A research team at MIT recently set up an experiment for use in making marketing decisions, but achieved results that are equally applicable in other lines. The aim was to determine how much risk a consumer is likely to take in hopes of a certain amount of satisfaction when he tries something new. The findings are already being applied in industry. In this case, some of those tested were students at MIT's School of Industrial Management; others were experienced men averaging more than 35 years of age attending an executive training course at the school.

In this test each person was given a pegboard with a series of holes numbered from 0 to 20. He started with three pegs placed abreast in midfield opposite the number 10, and his goal was to advance all three pegs to 0. Each play consisted of selecting a bet in advance from a group of alternatives like this:

Bet A—You move a peg up one space if you win, but stand pat if you lose.

Bet B—You move up three spaces if you win, but move down three if you lose.

Bet C—You move up five spaces if you win, but move down five if you lose.

Bet D—You move up seven spaces if you win, but move down seven if you lose.

Two letters of the alphabet were then read at random. If the letter the player selected was read first the player won and advanced according to the bet he had made. If it was the second one read, he lost. If the player's choice was not mentioned, he was not affected.

It's easy to see that some of these bets are more conservative than others and that a man concentrating on Bet A is almost certain to win in the long run. But under the pressure of actual decision-making, most of the businessmen who took this test defied the odds in various ways. Not surprisingly, perhaps, those who seemed most eager to win tended to make the least consistent decisions.

These are just a few of many tests that have been tried. Some were pencil-and-paper tests. Others were based on the use of dice or cards. In several cases, fake money and real money were used alternately as rewards in order to measure the different reactions

when acting in an imaginary situation and playing for keeps. So many thousands of trial runs have been made that some of the main conclusions are beyond doubt, especially since they so closely parallel the departures from logic which the mathematicians have spotted.

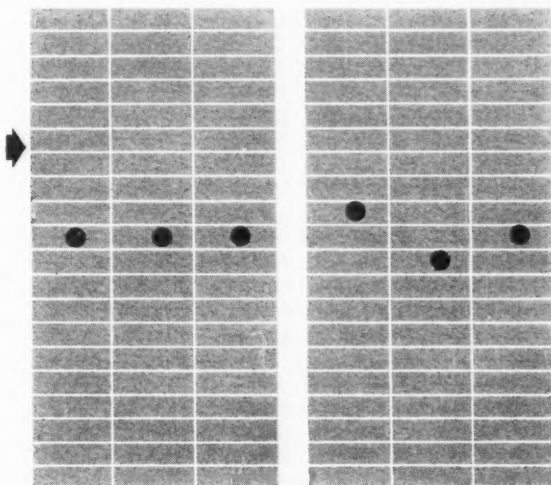
It now appears that most men with the intelligence to be executives in the first place can become skilled in selecting between alternate courses if they will check themselves for signs of controllable errors that are made by all but a few.

Here are five points distilled from the conclusions of many researchers, and all immediately transferable to practical use in business:

1. Persons tested put too much value on long shots and too little on short shots. They are illogically prone to take risks for a small chance of winning a big reward, rather than going for a good chance of winning a small prize.

2. People prefer risky choices even where attractive safe choices exist. For instance, the absolutely safe Bet A in the pegboard test was selected only once out of 14 choices. In one test taken by people of unusually high caliber, 93 per cent of all choices were of a highly speculative nature. Slightly less than half of all decisions were rational—that is, mathematically correct.

3. People take larger risks when they are falling



### HOW MUCH RISK would you take?

Researchers have developed a game to separate the long-shot operators from those that play it safe. The operators playing to win a little made most gain

behind, and even when they expect to lose. In tests where the subject knew the odds were against winning in the long run, he took bigger risks than where the long-term odds were in his favor. Being ahead and in sight of victory usually promoted conservatism.

4. People make the best risk decisions when they



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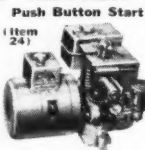
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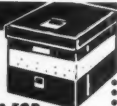
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## RISKS IN DECISIONS

*continued*

feel they don't understand the rules perfectly or when they are least sure of themselves; they take the most irrational gambles when they feel most confident.

This is borne out in practice by the opinion of many stockbrokers that the most experienced investors are most likely to make hunch guesses in contradiction of all the accepted principles.

5. People are most speculative and devil-may-care when using real money; they are more conservative when dealing with imaginary risks and rewards. This, too, is less astonishing than it may first seem because many people who are capable of good judgment when little is at stake go to pieces mentally in difficult real-life situations. The important moral, however, is that emotional tension is more likely to produce wildness than overcautiousness.

### The unused talent

In an occupation where risk-taking is part of the work, how can a manager train himself to make the best choices often enough to be confident of coming out ahead in the long run?

According to the scientists, starting a long search for scientific ways of making mathematically correct choices would be to seek a cure for which there is no disease.

The trouble is not that executives are incapable of judging correctly, merely that they don't use their judgment properly when the chips are down.

What's needed, then, is a way of holding emotions in check and preventing them from warping the ability that most executives have for making sound choices.

Fortunately, the managerial faults that the scientists have discovered are best attacked by self-knowledge. You can't entirely alter the pattern of how you think and act, but just knowing that you are subject to these specific errors will help you.

This has been proved by trial. Some executives who had made poor choices in games set up by researchers were given an analysis of their decisions and then asked to play different games, involving the same basic principles of risk and reward.

In almost every case, the showing was much improved. More value was given to the superior short

shots; the illogical hunch behavior that comes with overconfidence was greatly reduced; and the tendency to speculate wildly when losing was sharply curbed.

### Putting theory to work

As a final check, some practical businessmen were asked to give their opinion of these findings. They were asked: Did the faults discovered by the researchers ring a familiar bell? Did the suggestion that self-knowledge is the best remedy strike them as sound advice?

The board chairman of an international corporation said, "I'm tremendously impressed with how practical and immediately applicable every one of these test findings is. The reminder not to put too much emphasis on long shots, for instance, can even be applied to something as simple as how you divide your time. Most managers I know tend to devote many hours to an exciting new idea, but to slough off regular operations with a minimum of attention.

That means they're betting the greater part of their most precious asset on a will-o'-the-wisp instead of putting it where it's more likely to pay off.

"And the fact that executives often take a risk even when there's a sure thing on hand is typical of the manager who is always searching for a new man to fit a certain slot, while looking right over the heads of people he knows and can depend on."

A publishing executive said: "Now that you mention it, that point about the overconfident man making more mistakes than the one who is unsure of himself could be a first cousin to a rule we have in our office. When a complicated story is to be written, we send a conscientious man who doesn't know too much about the subject. By the time he understands it and writes it so it makes sense to him, it will be clear to any reader. The expert often forgets to touch the obvious bases."

This suggests that in selecting a subordinate to run a new project, the man with the greatest knowledge of the subject may not invariably be the best choice. It's a reminder that even the most experienced assistant will benefit from occasional spot-checking to be sure that he is not neglecting the fundamentals.

Another executive—head of a laboratory equipment manufacturing company—said he was most impressed by the fact that people take



the biggest risks when they face almost certain loss.

"I guess that sounds like a ridiculous idea," he said, "but I think it's true. Seeing these test results made me face up to a mistake that I've made over and over. I'm a pretty good executive, I think, but when I start making a new item and it looks like a flop, I just can't seem to decide to discontinue it. I usually pour more money into advertising and promotion instead.

"I've always thought it was just pride or dislike of admitting that I've made a mistake. Now it makes me feel a little better to know that most people have the same quirk. But I'm not going to go on losing money because of it any more. A half dozen products in our catalog are going to get a mighty critical look before this week is out."

Another comment came from a steel company vice president: "I was particularly taken with the evidence that men tend to be less careful with real money than with imaginary deals. In my experience, I have noticed the parallel fact that people are sometimes less careful with their own funds than with the company's money. I've seen two of our good executives go into business for themselves and fail because they skipped the surveys, the planning, the discussions that would have been second nature to them in working up a project for this company. Since there was no lack of funds or time in either case, I can only assume that they were just plain careless once they went on their own."

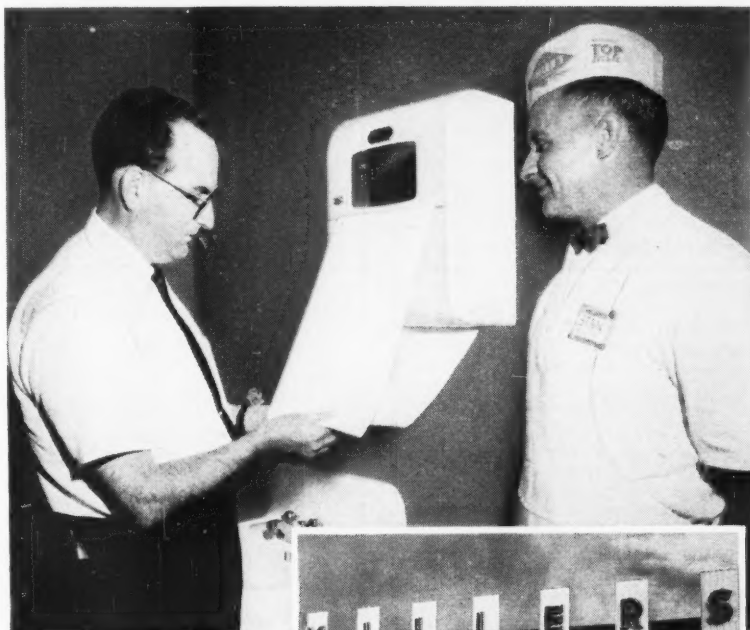
The principal importance of these new findings is in pinpointing and defining some of the illogical managerial quirks that we all face.

Some mental characteristics are all but unchangeable. Fortunately, these are not among them. The executive doesn't have to stop risk-taking, which would be impossible in any case. He is being shown some of the influences that make logical men ignore their reasoning and pass up the most favorable odds.

From time to time, refer to the five most common mistakes in choosing probabilities as a way of looking at yourself and your assistants. Knowing and allowing for them can provide the fine tuning that will enable you to make consistently sharper decisions.—CHARLES A. CERAMI

**REPRINTS** of "Cut the Risks in Decisions" may be obtained for 10 cents a copy or \$7.00 per 100 post-paid from Nation's Business, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance.

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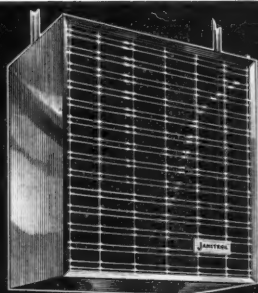
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## Executive Trends

### How to stay healthy and happy

Here's what a noted expert on executive health recommends as a good regimen to follow in achieving health of mind and body—and more enjoyment from your work:

1. Don't overeat.
2. Get a hobby—but not one that makes you feel that you're competing.
3. Learn to understand your emotions.

The authority for these suggestions is Dr. Seward E. Miller, director of the Institute of Industrial Health at the University of Michigan.

Dr. Miller's advice arises from careful study of the major health problems facing America's businessmen.

► "Executives, like everybody else, are living longer now than 50 years ago," he points out. "This means that we are more susceptible to degenerative diseases, notably heart trouble and cancer. In addition, stress has become a major cause of physical and emotional breakdown. This is so because of the increasing complexity of our society, our competitive striving, and new artificial environments brought about partly by work with radioactive materials, and intricate machines and other complications of advanced technology."

### Get yourself a safety valve

The stress factor in executive activity has made it more and more essential that managers find ways to release their frustrations and tensions, Dr. Miller explains.

"The healthy executive is one who develops an active, engrossing after-work activity," he continues. Such avocations as golfing, boating and fishing are excellent release mechanisms, he says, so long as the participant doesn't approach them with an attitude that he has to outdo another golfer, boating enthusiast or fisherman—or even compete strenuously with himself, as so many of us unconsciously do.

Too much of our after-work activity is passive, Dr. Miller warns. The best recreation, he says, is active participation in cultural pursuits—perhaps painting or music.

► Moderation in everything is a good way to sum up the formula for maintaining health, according to Dr. Miller. He told NATION'S BUSINESS that overeating by executives is a particularly serious problem today. He recommends light lunches, and suggests a good long walk or daily exercises as ways to work off the calories.

To ward off emotional disorders, he recommends participation in seminars and courses which explain the workings of the human emotions. Dr. Miller



predicts that business—aware of its great investment in executive talent—will increasingly use periodic and even annual health check-ups for managers to identify the earliest symptoms of serious physical and emotional problems.

### **Wanted: People who like problems**

Your business, and most businesses, will be beating the bushes for competent problem-solvers in the decade of the 1960's.

This is the view held by many management thinkers, including Ford Motor Company Vice President Theodore O. Yntema. He says that what business needs from the nation's graduate schools is not narrowly trained specialists, but "people who can deal with real problems—problems sometimes quite theoretical and abstract, and problems often beset by confusing factors and economic limitations . . . people who can see and solve problems, and who can cooperate and communicate with others in the process."

Mr. Yntema believes most education discourages the needed art of invention. He feels that defect should be corrected through such techniques as graduate seminars in "unsolved problems"—in which students could find themselves "ten good thesis topics instead of merely . . . a part of the professor's research."

► "The most important part of the scientific method," Mr. Yntema says, "is the part most neglected in formal education—namely, seeing problems. In my experience, most graduate students are rarely, if ever, expected to engage in intellectual exploration. They are expected to learn facts and theories and techniques . . . to apply their theories to cases. But they are hardly ever expected to discover a problem or ask an original question."

### **Management memos:**

Five steps toward creative thinking, according to Associate Professor Lee E. Danielson, of the University of Michigan, are these: 1, strong desire—the individual must want to be creative; 2, continued stimulation—he must challenge his thinking with a continued flow of new information and ideas; 3, good health; 4, constant questioning—looking for a better way involves emphasis on relationships between things, rather than examination of isolated facts; 5, suspended judgment—let ideas jell by themselves. . . . Companies are facing stiffer competition in hiring engineers, creative scientists, top administrators, according to study made by Professor Frederick Harbison of Princeton. . . .

### **Urges managers to look down, not up**

Top staff executives in business should be more interested in their subordinates than their bosses, says Assistant Professor John B. Coyle of Michigan State University's Labor and Industrial Relations Center.

Mr. Coyle has been engaged in research which, he says, provides substantial evidence that the "politically minded, production-centered foreman is a second-rate supervisor."

"For the same reasons," he says, "the top staff executive—or any member of his staff—who is always looking for a smile from his superior will take second place to one who also looks down at his subordinates for their approval."

► Mr. Coyle says broad administrative competence and personal strength are other key elements for effective staff leadership. To command respect, he says, top staffers should have strong, well-thought-out convictions, both in ethics and economics, and be willing to fight for their principles.

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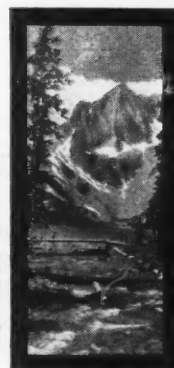


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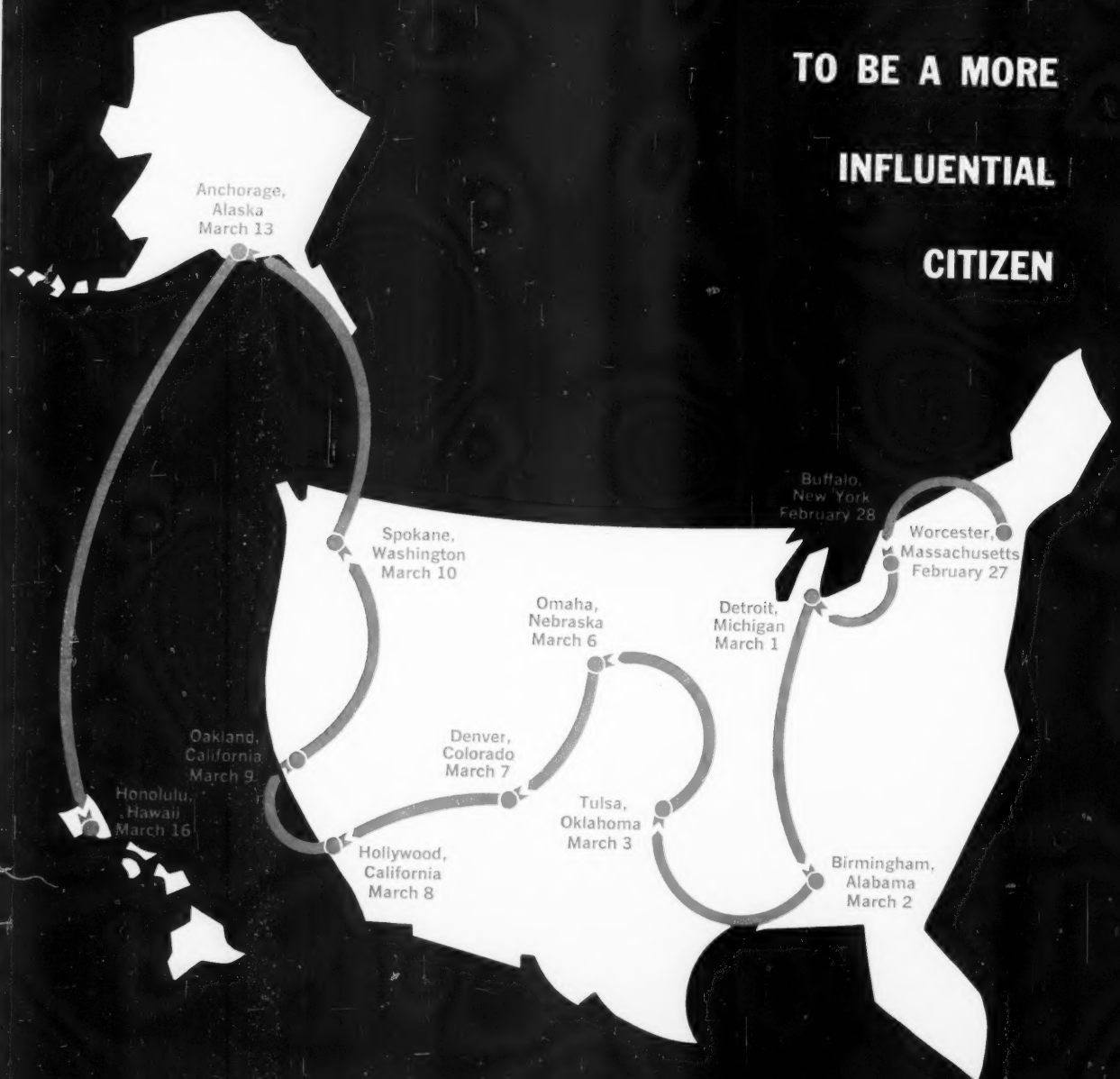
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The map which is printed here shows you when and where the Aircade meetings will be held.

What is different about an Aircade meeting?

Practically everything about it is *different*. For instance:

—Except for one brief address, there are no speeches.

—It is a discussion meeting, a question-and-answer meeting—an all-out, audience-participation meeting.

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—The Aircade meeting will give you an intimate, meaningful picture of the new 87th Congress.

—It will show you how to work more closely with Congress, and how to make your reasoned views heard more effectively in Washington.

—It will show you how to make your influence, action and example felt on all levels of the political scene.

The 1961 Aircade Meetings for Citizenship Action will be conducted by a National Chamber team of

legislative experts and business leaders, headed by Chamber President Arthur H. Motley. Local and state chambers of commerce will serve as co-sponsors.

Look over the map. Select the Aircade meeting most convenient for you to attend—and plan to be there, and to bring other business leaders from your community with you. For detailed information, write to the local chamber of commerce concerned.

### WHEN AND WHERE THE 1961 AIRCADE MEETINGS WILL BE HELD

|   |             |
|---|-------------|
| Worcester, Massachusetts<br>State Mutual Life Assurance Co. (Bullock Memorial Hall) | February 27 |
| Buffalo, New York<br>Statler-Hilton Hotel   | February 28 |
| Detroit, Michigan<br>Masonic Temple   | March 1     |
| Birmingham, Alabama<br>Birmingham Municipal Auditorium                              | March 2     |
| Tulsa, Oklahoma<br>Mayo Hotel   | March 3     |
| Omaha, Nebraska<br>Civic Auditorium   | March 6     |
| Denver, Colorado<br>Shirley-Savoy Hotel   | March 7     |
| Hollywood, California<br>Hollywood Palladium  | March 8     |
| Oakland, California<br>Hotel Claremont  | March 9     |
| Spokane, Washington<br>Spokane Chamber of Commerce (Auditorium)                     | March 10    |
| Anchorage, Alaska<br>Fourth Avenue Theater  | March 13    |
| Honolulu, Hawaii<br>Kaiser Dome   | March 16    |

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# HOW TO BOOST IDEA POWER

## Study finds different style of leadership is needed to get the most from creative people

YOUR PEOPLE who possess the fragile quality of creativity require special handling. The manager or supervisor of creative workers will get best results when he departs from standard principles of supervision.

The responsibility for getting a job done should be shifted to the subordinate, while the manager's task is to build conditions which will make each creative person more responsible and which will help the subordinate fully develop his talents.

Decision-making involving creative people must be participative. The superior must act less as an agent of top management and more as an agent for two-way communication.

This is the consensus of 62 managers of creative people who took part in a recent study designed to determine the essential attributes of the ideal supervisor for this type of employee.

Although this pattern of administration may appear

to be unusually soft, it actually is more difficult on both the administrator and the people who work under him. It requires a more complex set of skills in leadership, human relations and development for the superior and more initiative and responsibility for the subordinate.

Participants in the study unanimously agreed that, under the traditional pattern of supervision with managing viewed strictly as production-aimed and with authority centered in the supervisor, it is difficult to draw high achievement and creative performance from a staff.

Some of the more important attributes of the ideal supervisor of creative personnel, as they were found in the study, are summarized here.

While the ideal is rarely attainable in practice, the complex of qualities and techniques suggested will serve as a goal toward which leaders of creative groups can strive.

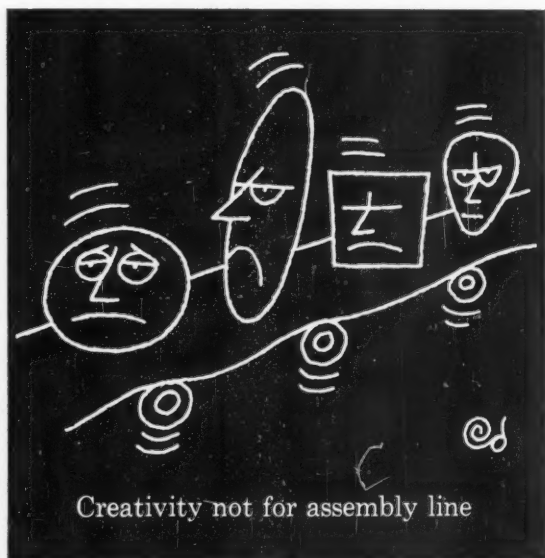
### **Respect individual differences**

The most important trait of the ideal manager of creative people is an ability to handle diverse personalities. He must recognize, for example, that some of his people work best when given full freedom, while others need some guidance.

The manager analyzes the motives of each person separately and then tries to develop him in the direction best fitted for him. He tries to know each employee's needs and goals and what he wants in terms of freedom, encouragement, and expression. Conflicts arise when the creative person has one image of himself, his role, and his responsibilities, and the manager another.

The ideal manager tries to bring these images into clearer focus.

Moorhead Wright, operations manager of General Electric Company's management development school, says "we cannot successfully develop people by means of canned, cut-and-dried, overstandardized methods. Human development can never be an assembly-line or stamping-machine process. There is no average man to whom you can apply uniformly the same



Creativity not for assembly line



method. What is good for one may not be good for another."

#### **Understand creative process**

The ideal supervisor understands the difficulties implicit in the creative process. He knows the flow of ideas is more likely to be pulsating than continuous.

He also knows that periods of sterility do not mean that the potential has dried up, but rather that new strength and direction are being gathered.

He also has insight into the things that inhibit creativity and he knows that limited creative output is frequently due, not to lack of creative ability, but to inner barriers to expression. He has mastered some of the methods which can be used to overcome the blocks.

Much can be accomplished in this direction by periodically discussing with creative people their work problems, the procedures and attitudes that go into producing ideas, and the barriers to creativity they encounter.

Understanding the barriers is the first big step toward removing them.

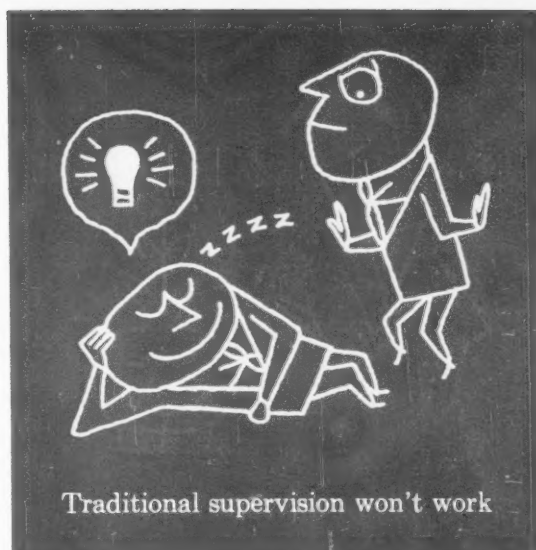
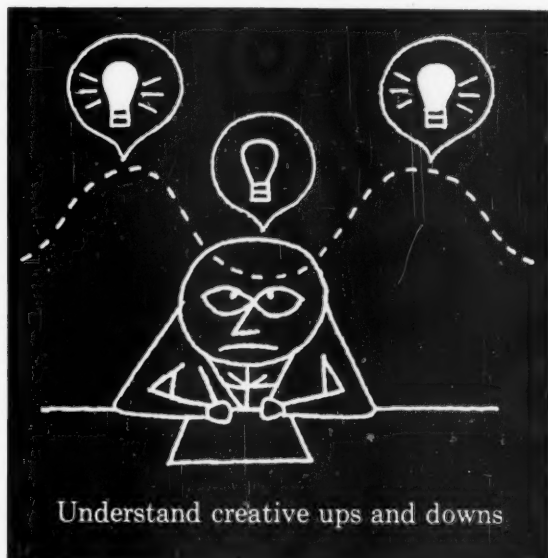
It helps if the supervisor writes up a series of critical incidents of success and failure in creative work as they occur and then uses this material in discussion and analysis.

In companies where this approach has been adopted, creative production has risen considerably.

The severity of any existing blocks to creativity could also be alleviated by bringing the people who feel blocked together with those who have demonstrated their freely functioning creative capacity and who, in turn, can help others to expand theirs.

Meetings, discussions, and the sharing of ideas between the two groups provide the stimulation necessary for eliminating most of the inner barriers to creativity.

The manager of creative people has the responsibility continually to analyze the situations surrounding the people who are blocked, noting where they



fail to respond and which opportunities could be presented to them for stimulation.

#### **Show professional knowledge**

While not as up to date in every detail of the activities as are the people he manages, the ideal creative manager nevertheless has the knowledge to enter into the problem at any point and help the creative man in that man's own specialty. Unless he has this background of fundamental knowledge, he cannot adequately communicate with each member of his staff and win respect and confidence. Studies have shown that a lack of respect for one's superior is the greatest cause of employee dissatisfaction.

The manager becomes intensely involved in the problems he and his staff work on, and he is able to stick with difficult problems over a long period. He enjoys periods of hard work and has a genuine and keen interest in solving the problems of his group. While he and his group are working at one task, he is frequently imaginatively forming the next task his group is to tackle.

The ideal supervisor is a creative person himself. He is able to visualize the possibilities inherent in approaches and ideas that seem at first remote from the particular needs of a problem.

#### **Communicate**

Skill in communications spans areas such as the ability to express ideas clearly, the ability to lead and arbitrate discussions, the ability to ask intelligent, searching questions that stimulate, spur and encourage thinking and work.

The successful leader also has mastered the skills of listening, not only to what is said, but what lies behind the words. Patient listening to their problems enables his people to gain self-understanding. It also enables the supervisor to know his people better.

He also makes sure that his people communicate with persons in other lines in the organization. Ex-





Supervisor inspires creativity

plaining their ideas to persons with a different background and field of interest stimulates their own thinking.

The supervisor makes sure that creative individuals have free access to associated ideas from superiors as well as colleagues. Creativity thrives where individuals at all levels feel a sense of partnership in the total activity of the organization. This places on the manager the responsibility to maintain open, effective communications within his department or group, with other departments in the organization, and with top management.

### **Give credit**

The ideal manager feels secure in his position. He is able to accept others' ideas and willingly admit that these are frequently better than his own.

He does not feel that he alone has to retain the power of decision, or that he ought to know more than his people and be ahead of them, lest they show him up.

He leans over backward to see that his group rather than he himself gets credit for accomplishments.

He never dominates his group and when he produces ideas he does it without showing off. He is accepted by his people as a colleague. Mutual respect rather than authority rules as the integrative force in his department.

### **Take calculated risks**

The ideal supervisor of creative people gets satisfaction out of risk-taking creative ventures. He must have, in a sense, the spirit of play and experimentation. C. M. Sinnett, of Radio Corporation of America, considers this attribute one of the most important in creative success: "Suppose Ford had not been willing to gamble on the Model T or Kettering on the self-starter. Suppose General Sarnoff had not been willing to gamble on television or DeForrest on the vacuum tube. Where would the electronics industry be today? All creative work has an element of

gambling in it along with the extreme faith of the individual that it is the right thing to do."

### **Assign responsibility**

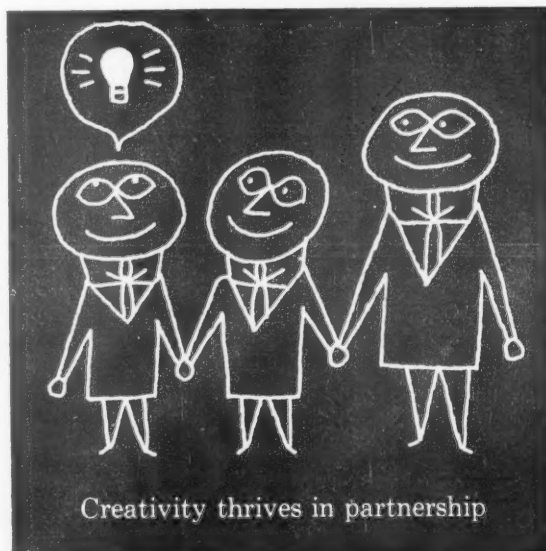
The ideal supervisor makes assignments that conform to the personalities, interests, and abilities of the individuals working under him. To do this, he spends a great deal of time finding out what interests each of his staff, what are his strengths and weaknesses. He then tries to assign each person to a task in which he can take an active interest, out of which he can get satisfaction, and where his chances for contribution are the greatest. The highest kind of creativity can only emerge where the individual feels a personal affinity for an area of interest. Dr. Enoch J. Durbin of Forrestal Research Center at Princeton, N. J., recognizes that fascination with a problem area is highly correlated with creative success in it. He believes every man should work a notch higher than his present level of capacity. As he explains: "You simply have to have your men's loyalty and pride in their work to run a successful organization. Our engineers and scientists run to the limit of their knowledge every day and then are forced to extend it."

In most businesses it is not feasible to give creative people complete freedom to select the problems on which they work. The supervisor gives them some choice. When a new problem or project comes up, he discusses it with the man he thinks has the proper combination of interests and qualifications to solve it.

In teamwork, the ideal manager is sensitive to what influence his people have on one another. In selecting people who are to work together on a project, he is sensitive to choosing those who would have a constructive effect on each other.

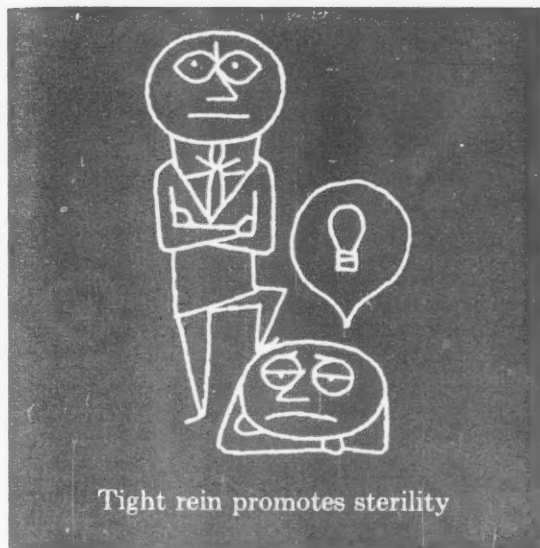
### **Suggest rather than specify**

Although he can direct a worker's thinking by questions or comments, the ideal manager makes sure that his instructions do not incorporate his own ideas on the approach to be used. Some subordinates, out of



Creativity thrives in partnership





fear of antagonizing their supervisor, dare not come up with a better suggestion.

On the whole, however, the ideal manager leads by suggestion rather than by specification or command, and, in general, practices a hands-off policy once the work has been assigned. When his people come to critical phases of the work, he even insists on their having freedom to control their own time schedules. This does not mean that all deadlines should be abolished. It means that the ideal manager is a disciplinarian without seeming to be one.

He provides an atmosphere which continuously encourages his people to come up with new approaches and a feeling that they are not closely scrutinized and accountable for every idea at every moment.

Creative people who need constant pressure to produce are probably in the minority. There are also those who rely and feed upon constant interaction with others to set the wheels of thought into motion, but, once the creative process is under way, even they need freedom from close control to produce.

While creative people need to have an awareness of objectives and of time limits, they should not work in an atmosphere of urgency.

The truly creative person always works under pressure. But this is pressure from within rather than from without. The ideal situation occurs when there is the combination of pressure from within and the inspiration that the manager provides from without.

The ideal manager knows that, if he wants his creative people to remain creative, some provision must be made to free them from daily detail so they can occasionally think and read in areas of their own choice.

Creative individuals should, whenever possible, be given the opportunity to try out ideas of their own. Free time and privacy enable them to broaden their knowledge and their horizons. W. John Upjohn, a director of The Upjohn Company, recently emphasized the importance of extra, unrelegated time and privacy for the creative individual. He points out that in The Upjohn Company the creative people

are allowed to spend one day in five doing whatever they like. This "20 per cent policy," he says, has brought many tangible dollars-and-cents results. What actually happened was that most of the creative people spent their free time on some company problems abandoned by others as insoluble. Where the previous deliberate efforts had failed to produce results, these people on their free time succeeded.

#### **Criticize tactfully**

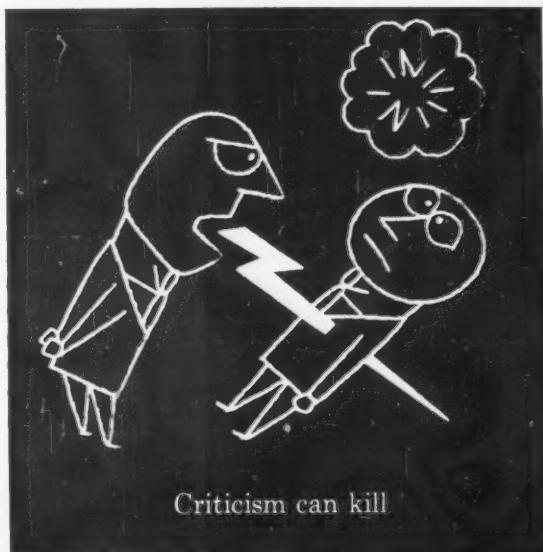
The ideal manager is able to suspend critical judgment in the beginning stages of a project, when the lines of approach have not been fixed. Nothing can inhibit creativity more than critical evaluation applied prematurely. Judgment, evaluation, and criticism have their place, but only at the conclusion and not during or at the beginning of a creative venture.

Creative individuals are, by and large, extremely sensitive to criticism of their ideas. The ability to be coolly objective about criticism comes only in time and is based on a series of solid successes with challenging problems. Yet, even then, indifference to criticism is never fully achieved. No matter how tough the creative individual, overcritical attitudes, cynicism, ridicule or even indifference on the part of the superior are tremendously destructive of idea-producing ability. A study in which 105 authorities in the area of creativity participated brought statements such as these:

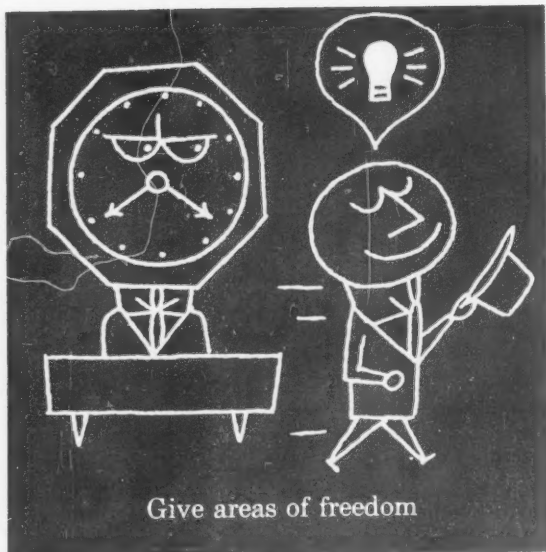
Dr. Jules D. Porsche of Armour & Company: "These attitudes [criticism in various forms] will not only limit the scope of creative work within the organization, but also discourage imaginative effort by generating a 'what the hell' attitude in the worker when he gets a brilliant or radical idea."

Prof. Leo B. Moore of Massachusetts Institute of Technology: "The reception of the fruits of creativity has more to do with its development than anything else. Criticism in any of its various shadings by word or deed will kill creativity faster than anything else."

If the manager must criticize, he should never do







it in front of others, and only when his reasons for criticism are specific and constructive. More often, it is best to let the creative person make the needed changes himself.

## **Provide inspiration**

Creativity thrives on encouragement and inspiration. The manager needs plenty of contagious enthusiasm. He must provide the inspirational beginning for a creative undertaking and show faith that his people will be successful in their solution of the problem they are tackling. While the project is under way, he continues to show active interest and readily recognizes the progress made. He provides the necessary moral support during the difficult stages of the project.

He instills in his people the notion that ideas are wanted by immediately attending to the ideas his people come up with and by giving them regular feed-back on what is happening to their ideas, when they are going to be evaluated and by whom.

The ideal manager keeps track of changes in skill and ability in order to give added responsibility and opportunity when the occasion arises.

## **Give recognition**

The ideal manager gives praise readily, shows appreciation for good work, and sees to it that individuals receive proper recognition for their ideas. He knows that recognition tends to raise the standards of his people—that next time they will try to match or surpass the good job they did this time.

From his long experience in directing creative people, E. Finley Carter, director of Stanford Research Institute, concludes that recognition coupled with expectation are among the most important management attitudes favorable to creativity: "It has long been my observation that people strive to live up to what is expected of them. They are willing and eager to push beyond the limits of their known capabilities when they face a challenging task and feel aware that

they are expected to deliver. . . . The factor of recognition follows logically. The creative person feeds upon recognition by his colleagues and by his leaders. It is the reward he naturally seeks."

The ideal manager gives primarily individual recognition rather than team recognition; that is, he identifies the individual as a member of a group, rather than emphasizing the group of which he is a member.

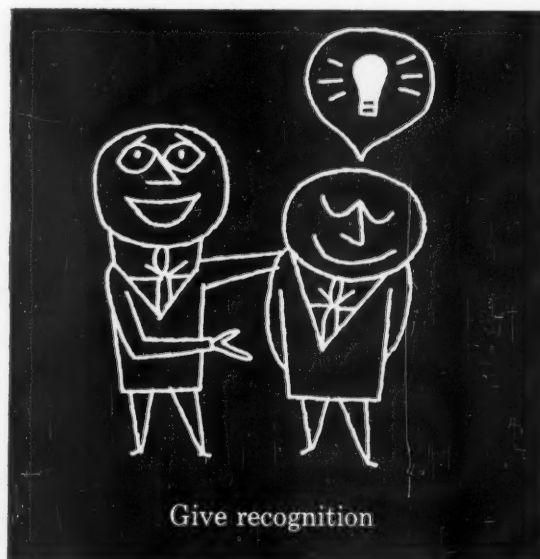
## **Be receptive**

He convinces the members of his group that he will consider any ideas and his people will be properly identified with their part in successfully solving problems. Ideally, a formal system should exist for the fair and consistent consideration of all ideas conceived in his department. But in any case he considers all new ideas and rewards successful efforts immediately.

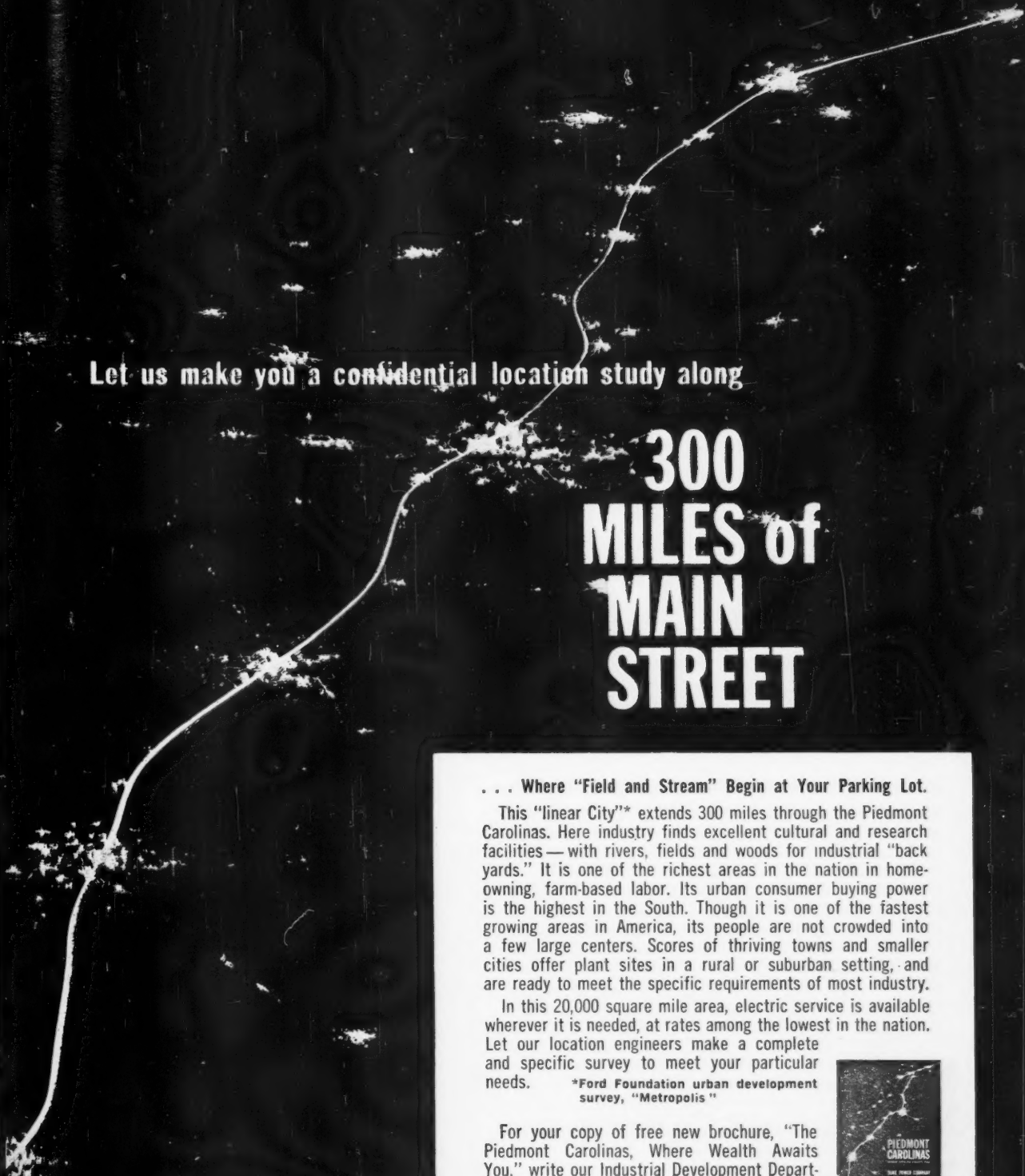
AC Spark Plug Division of General Motors Corporation has an advisory committee which screens ideas to see which are worth further development and which should be dropped. This committee and GM's creativity training program have had many benefits, according to A. L. Simberg, supervisor of personnel research and development. He states: "The basic philosophy of the entire organization has been permeated with green-light thinking. The first reaction to novel ideas is seldom negative. The number of ideas has shown a marked upturn."

## **Bolster self-confidence**

Self-confidence plays a tremendous role in creativity. Fear of criticism, fear of a supervisor's or colleagues' opinions or disapproval, doubts about his own ability, fear of appearing too revolutionary or unusual—all of these feelings, or any one of them, can inhibit or suppress creativity. Prof. John E. Arnold of Stanford University, who has taught engineering designers for more than a decade, believes that self-confidence is frequently more important than







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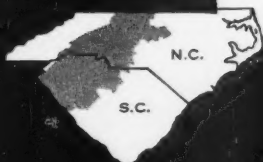
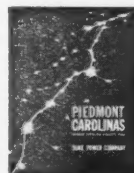
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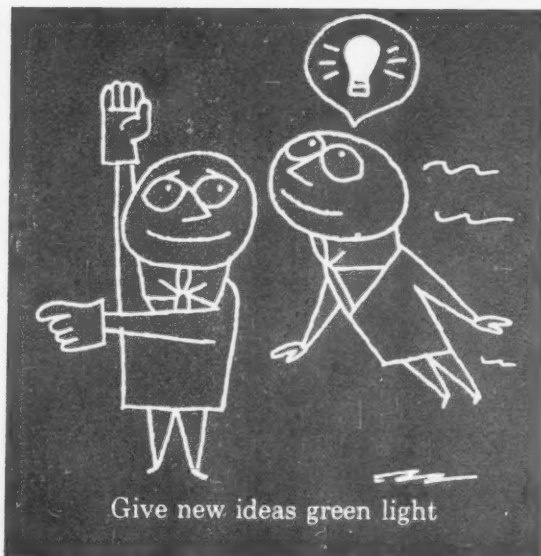
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the mastery of specific techniques. He says: "I have had better success in training creative designers by helping them develop this spirit of self-confidence than I have in imbuing them with special design techniques or tricks of the trade."

Although the supervisor's optimism should be tempered with reality, at the initial stages of creative work, it would benefit him greatly if he could be more optimistic than realistic. Therefore, a basic optimism and a stubborn refusal to give up no matter how great the difficulties initially encountered are two important qualities in the ideal manager's personality. The manager provides the members of his staff with all the moral support he can muster at the beginning of the creative process.

## **Know when to take an idea**

The ideal manager knows when to take the idea from the creative person. He knows that if he takes it away too soon, resentment results and the idea might be imperiled. He is also aware that if he does not take his ideas after they have been completed, the person might see this as evidence of neglect or rejection not only of his ideas but of himself.

## **Identify the problem**

Effective managers differ from the less effective mainly in their ability to choose the more fundamental aspects of the problem and cast the superfluous aside. In creative problem-solving it is, as a rule, not necessarily the person who is highly fluent about the problem, nor the one who reaches the highest degree of abstraction in his analysis, who shows the highest creativity. It is most frequently the person who has grasped the heart of the matter, who is thinking most to the point and who has understood the central principle or the core of the problem, who evidences the highest degree of creativity.

## **Keep management informed**

The ideal administrator brings to the attention of

management the needs of his staff, and he interprets their achievements to management. He fights for his group's rights and protects them from unreasonable demands which he believes would adversely affect their welfare and effectiveness. He also has considerable influence with management. Dr. Herbert A. Shepard of Esso Standard Oil Company, who has done several field studies of the organization and management of creative research, found that the participative or consultative superior with influence on management is able to promote a climate which is highly effective for creative work.

## **Insist on flexible organization**

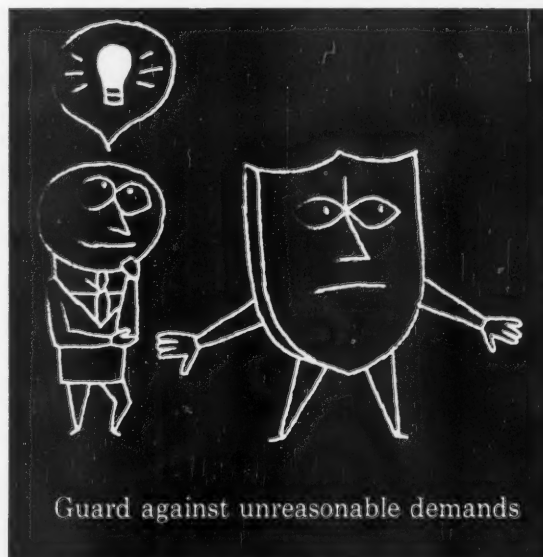
The ideal manager knows that many of the standard principles, methods of organization, and patterns of supervision are not applicable to creative work and creative people without considerable modification. He is aware of the requirements for flexibility in his department and knows that these preclude the rigid design that can be applied to most other functions in his organization.

Consequently, rather than trying to fit the creative individuals into a predetermined organizational structure, he helps to mold the structure so that it fits the individuals.

He realizes that the problems of running a creative department are often rather ill-defined, without clear answers from traditional supervisory practice, and not concrete. However, he is able to tolerate the ambiguity of his situation well, and does not force a premature structure on something that by its very nature has to retain a good measure of fluidity and flexibility.—EUGENE RAUDSEPP,

*Director, Psychological Research,  
Deutsch & Shea, Inc.*

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# UNIONS BUILD MORE PRESSURE ON CONGRESS

Labor's influence will be felt as prestige rises at White House and wanes in states

UNDER THE KENNEDY Administration, union leaders:

► Expect to, and probably will, have more influence at the White House than they have had since the peak of the New Deal 25 years ago.

► Don't expect the new Congress to pass as much, or as favorable, labor legislation as they had assumed would be passed if the Democrats regained the Presidency and retained a majority in both the Senate and House of Representatives, as they did.

The fact is that although most unionists helped elect as President Sen. John F. Kennedy of Massachusetts, who has promised them almost everything they have asked for, the Eighty-seventh Congress will have fewer union friends than the Eighty-sixth.

In the state legislatures, organized labor suffered even greater losses, causing the *AFL-CIO News* to assert that labor's hopes for favorable legislation "rest more heavily than ever on Congress."

Here's the labor outlook with respect to Congress, the Kennedy Administration, and the states:

## Congress

Democrats lost seats in both the Senate and House, thus strengthening the conservative coalition of Southern Democrats and Republicans. But unions didn't lose as much as the Democrats.

In the Senate, for instance, the Democratic margin over Republi-

cans dropped from 66-34 to 64-36, or from 32 to 28. But the number of senators the unions claim as "friends" remains the same—57 out of 100, a margin of 14.

(Definition of a union "friend": A member of Congress who either has voted "right" more than 50 per cent of the times on the AFL-CIO score sheet of voting records, or was elected with union backing.)

The new House will have 261 Democrats and 176 Republicans, a loss of 22 seats for the Democrats. But unions will have only five fewer friends, 216 instead of 221. The real loss is more than the figures indicate, however.

First of all, the division in the House between union friends and others is so close that the loss of even a few votes by either side can be crucial. Losing five of 221 union friends in the House makes the difference between having a majority and not having a majority when all stick together.

In addition, the union loss in the House was greater than it seems because 28 of the members who will not return were among the "hard core" of union friends—those whose vote labor lobbyists usually could rely on in a showdown on a controversial bill.

Example of the hard core in the last session: The 201 House members who voted against the Landrum-Griffin labor reform bill on the key vote.

There will be other changes in

Congress which will be favorable to organized labor.

For the first time in many years, labor legislation will be handled in both the Senate and House by new committee chairmen who are friendly to unions.

Most significant is the replacement of Rep. Graham A. Barden of North Carolina, chairman of the House Committee on Education and Labor, who retired.

A conservative Democrat, Mr. Barden kept firm control over the committee and often was able to influence the course of legislation over the protests of labor-oriented committee members.

In line to succeed him as chairman is Rep. Adam Clayton Powell of New York, a Harlem minister who, in the union view, has voted wrong only once during the 14 years of labor's legislative score-keeping. Mr. Powell may have difficulties because of his strong feelings on race questions and his bolt of the Democratic Party to support President Eisenhower for re-election in 1956, but unionists regard him as a big improvement over Mr. Barden.

In the Senate, either Sen. Pat McNamara of Michigan or Sen. Wayne L. Morse of Oregon is expected to head the Labor-Management Subcommittee which was previously headed by Senator Kennedy. Both are strong labor partisans.

Senator McNamara was an official of the Pipefitters Union when



first elected in 1954. Senator Morse is admired by unionists for his aggressiveness in support of their causes.

#### Legislation

How will the new makeup in Congress and the change in the White House affect labor legislation?

One must keep in mind that having a Congress controlled by the same party as the President's can facilitate enactment of legislation, especially when the President chooses to use the influence of his office. The President's ability to grant or deny patronage, as well as exert the prestige of his office, often can bring a recalcitrant party member into line.

In other words, the Democratic majority will likely be more united behind their program under a Democratic President than they were under Mr. Eisenhower. This can make up for some of the loss of Democrats on Capitol Hill.

Having a liberal in the White House will also encourage like-minded leaders in Congress to write more liberal provisions into bills than they would have done under the Eisenhower Administration for fear of inviting a veto.

With Mr. Kennedy in the White House, unionists feel that they can rely on his veto to block any anti-labor legislation that might get through Congress. This makes their legislative job easier. They can concentrate on legislation they want passed without worrying about other legislation. Even so, the job will be a tough one in view of the conservative Democratic-Republican coalition and the continuing control of many committee chairmanships by conservative Democrats.

This then is the outlook for new labor laws:

- Union-supported legislation with any real chance of passing will be legislation which affects workers and the public generally, such as minimum wage (see page 29), aid to depressed areas and the unemployed, medical care for the aged under social security, public housing, aid to education, and the like.
- Legislation intended to help



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**Union Leader George Meany** confers with Senator Kennedy during committee hearing on legislation. Unions expect President-elect to help them win their goals in Congress

**Labor legislation** will be guided by new committee chairmen friendly to unions. Representative Powell will head up group in House, Senators McNamara or Morse in Senate



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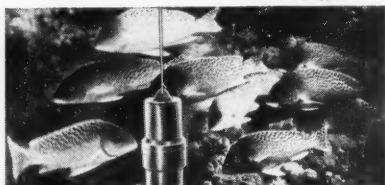
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## UNION PRESSURE

*continued*

unions, or which involves their relations with employers or workers, seems to have little chance in this session of Congress or until a labor relations crisis occurs.

In this category is this legislation sought by unions:

► Lifting of the Taft-Hartley law's secondary boycott restrictions on construction-site picketing.

► Giving the President new authority to deal with national emergency strikes.

► Repeal of the Taft-Hartley provision which allows the states to enact laws which prohibit the requiring of union membership to hold a job.

Also in this category is this legislation favored by employers:

► More effective restrictions on the use of union funds for political purposes.

► Compulsory arbitration of major railroad disputes.

► Protection of an employer's right to eliminate jobs without having to bargain with the union.

### Administration

Administration of labor laws will be influenced by actions of the President, Arthur J. Goldberg, special counsel to the AFL-CIO, who will be Secretary of Labor, and other appointees, who will be closely advised by top union leaders.

These include AFL-CIO President George Meany, Walter P. Reuther, president of the United Automobile Workers; Joseph D. Keenan, former head of the AFL Political League, and George M. Harrison, who headed the Labor Committee for Kennedy-Johnson, and others.

Mr. Goldberg and these men will be consulted on government policies which affect labor, on labor legislation requested of Congress, on key appointments to labor agencies, and other matters. While they may not make the decisions, they will influence many of them.

In the Labor Department, the President's appointments include, besides the Secretary of Labor, assistant secretaries, wage-hour administrator and commissioner of the Bureau of Labor Statistics.

In addition to gathering statistics and making studies, this department enforces the Landrum-Griffin labor reform law, whose teeth unionists want pulled; determines wages which employers must pay on government contracts; and blacklists and imposes other penalties against businesses for violations.

How these laws are interpreted, applied and enforced can affect not only your costs and profits but your right to do business with the government.

The director of the Federal Mediation and Conciliation Service will follow the new President's wishes in handling labor disputes. How and when the Service steps into a dispute can determine

**IN SEVEN** of 19 states with right-to-work laws, they have been approved by the voters as a constitutional amendment, thus making it more difficult to repeal. Mississippi, whose legislature enacted a right-to-work statute in 1954, made it part of the constitution by referendum last June.

States with right-to-work laws and year enacted

- 1958 Kansas\*
- 1957 Indiana
- 1955 Utah
- 1954 Mississippi\*  
South Carolina
- 1953 Alabama
- 1952 Nevada
- 1947 Arizona\*  
Arkansas\*  
Iowa  
Georgia  
Nebraska\*  
North Carolina  
North Dakota  
South Dakota\*  
Tennessee  
Texas  
Virginia
- 1944 Florida\*

\*Constitutional amendment

whether a strike will occur and how long it will last. Unions usually want early and forceful government intervention.

This is especially true in major disputes which threaten a national emergency. Senator Kennedy criticized President Eisenhower just before the 116-day steel strike began in 1959 for not intervening in the dispute.

The senator declared in a Senate speech that the President should have yielded to union requests for a Presidential fact-finding board if it would have averted a strike.

The President-elect believes that



the President's authority to deal with major strikes should be flexible, and should include the right to obtain recommendations from a fact-finding board and, if necessary, to seize an industry. The Taft-Hartley law provides only for the appointment of a fact-finding board (with no power to recommend a settlement) and the obtaining of an 80-day injunction against a strike.

A depth study of steel industry bargaining problems, which has been in progress in the Labor Department for more than a year, will be released just before the new Administration takes over.

The study has been directed by E. Robert Livernash, professor of economics at the Harvard Business School, and will include an evaluation of the effect various types of government intervention have had on steel industry labor disputes.

President Kennedy will have an immediate appointment to the five-man National Labor Relations Board, which has been under union attack as being partisan to employers. Arthur A. Kimball has been serving under an interim appointment since September.

If Mr. Kennedy appoints a Democrat, as is likely, it will give Democrats a majority right away, since two of the Eisenhower appointees also are Democrats—Joseph A. Jenkins, whose term expires in August, and John Fanning, whose term runs until August, 1962.

Most of labor's fire has been directed at the Board chairman, Boyd Leedom, a former South Dakota judge. His five-year term on the Board runs until the end of 1964, but the new President may remove him immediately from the chairmanship if he chooses.

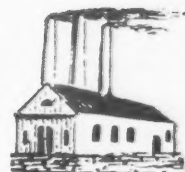
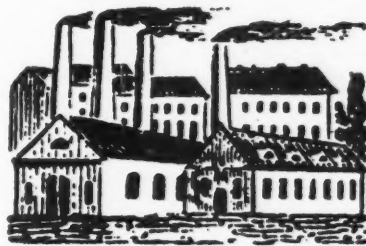
Union leaders have at times asked for an investigation of NLRB policies and decisions, and may get it. Senator Morse is much interested, and may do it if he becomes chairman of the Labor-Management Subcommittee.

#### States

All but three state legislatures—Kentucky, Mississippi and Virginia—meet this year.

Big issues will include right-to-work laws, increases in the amount and duration of unemployment insurance, workmen's compensation benefits, and new union efforts to restrict the hiring of workers during a strike. So-called antistrike-breaker laws were recently passed by a few states.

The changed complexion of state legislatures is viewed by union



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## UNION PRESSURE

continued

leaders as unfavorable and requiring greater concentration on trying to achieve their state objectives through federal action.

With few exceptions, unions supported Democrats for the legislatures and for governor. While the number of state senates and governorships remain the same as to party control, nine lower branches of the legislatures switched to the Republican side while none switched to the Democrats.

Chances of repealing right-to-work laws in any of the 19 states which have them seem dim at this time. The Democrats and Mr. Kennedy have pledged, however, to nullify all 19 in one swoop through repeal of a small section of the Taft-Hartley law (14-b) which gives the states authority to pass these laws. The laws make it illegal to require a worker to join a union to keep his job.

Unionists had pinned their greatest hopes for repeal of right-to-work laws on Indiana, the only northern industrial state which has one, and Utah.

The new governor of Indiana, Matthew E. Welsh, Democrat, advocated repeal of the right-to-work law, passed in 1957, and Democrats captured control of the state senate by a slim margin. But the lower house, which had easily passed a repeal bill two years ago under Democratic leadership, will be dominated two to one by Republicans who favor voluntary unionism.

In Utah, the new Democratic legislature is reported to lean toward repeal of the 1955 right-to-work law, but the new governor, Republican George D. Clyde, campaigned against it. His veto can be effective.

Right-to-work advocates made gains in two states where moves are under way to get such legislation enacted.

In New Mexico, the new governor, Republican Edwin Mechem, had cosponsored a right-to-work bill in the 1957 legislature. Union sources believe, however, that they can defeat a right-to-work bill in the lower house.

In Vermont, right-to-work supporters gained strength in the legislature and the Democratic candidate for governor who opposed right-to-work legislation was defeated. The new governor, Republican F. Ray Keyser, is noncommittal.

END



